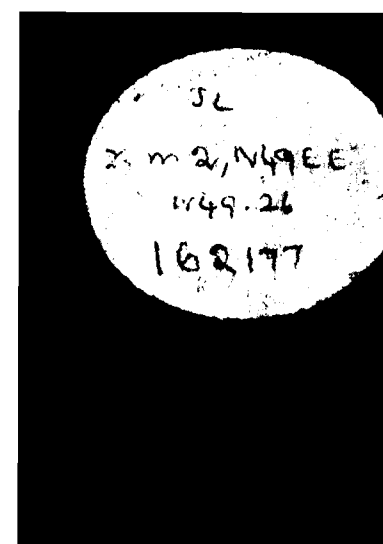




52

2. m 2, N49EE

1749.26

162177

Directly from the Editor
D. M. /

The Eastern Economist

VOL. XXVI. NO. 1.

NEW DELHI, JANUARY 6, 1956.

ONE RUPEE.

CONTENTS

	Page		Page
Leading Articles:		Special Articles:	
ECONOMISTS: THE NEW LOOK ..	1	DECENTRALISM AND THE KARVE REPORT ..	20
NEW STATUS FOR BOMBAY? ..	3	DEVELOPMENT OF POLISH AGRICULTURE ..	21
THE TEA SLUMP ..	4		
THE WEEK'S NOTES ..	7	The Business World:	
France Prefers a Cul-De-Sac; Hopes Fade in Malaya; The Age of the Divided Gospel; Economic Rethinking; History for the Millions; A Fair Achievement.		Rationale of New Issues ..	23
		Outlook for Shipping ..	23
A WINDOW ON THE WORLD:		BUSINESS NOTES ..	25
Odysseus on "To Spite Our Own Faces?" ..	11	A Panicky Decision; A Progressive Import Policy; Bank Employees' Agitation; Hindusthan Co-operative's New Peak; The National Carbon Co. (India) Ltd.; Excise Duty on Rayon.	
A Delhi Diary ..	15	COMPANY AFFAIRS ..	27
ECONOMIC REPORT FROM THE U.S.:		COMMODITY NEWS AND NOTES ..	28
Outlook for 1956 ..	16	CURRENT STATISTICS ..	43
WORLDGRAM AND NEWS IN BRIEF ..	17		

Economists: The New Look

ONE of the more noteworthy consequences of the procedure adopted for the preparation of the second Five-Year Plan has been the establishment of a Panel of Economists for consultation at all the vital stages of planning. The first Five-Year Plan was essentially the work of the administration, and the Planning Commission only helped to bring together and rationalise the outlay and targets determined by the State and Central Governments on the basis of what they regarded as feasible. They were only tentative calculations of what the economy could or could not afford to do. In the course of such planning however, the Government and the Commission received much unsought, and some anxiously sought, economic advice, of varying degrees of usefulness which threw some light on the general aspects of the Plan. The report of the IMF Mission was one of the more competent and timely assessments of the problem of planning; the general appreciation of the Report showed that economists do not always speak in many voices. The IMF Report had encouraged planning as much as it had warned against its possible

dangers. Much other less known advice had also been given by foreign economic experts, who, even if they had not always understood the peculiar ways of the Indian economy, were able to put forward points that deserved consideration. Midway through the second Plan, the authorities were thus becoming acutely conscious of the fact that planning was not possible purely at the official level and that a second expert opinion would always be a great help.

The decision to constitute a Panel of Economists might not have been due to the conviction that it had definite practical use in deciding policy. The planner or the politician who has to decide policy, and the civil servant who has to execute it feel more often confused by conflicting counsel. They have, however, recognised that the problems of long-term planning were such that they will not be solved satisfactorily without a good deal of economic reasoning and that ultimate decisions have to be made after seeing that reasoning at work. To some at least of the decisions taken purely on the basis of the politician's

intuition or the civil servant's pragmatism, without heeding 'expert' economic advice, the country may have reason to feel grateful. The policy of decontrol—which infused the elements of dynamism into the Indian economy in 1952—would rank as one such; expert advice could never have given an unambiguous lead in the matter so as to give strength to the politician's arm. The official attitude to deficit financing, which grew bolder as planning proceeded, cannot be attributed to encouragement from the economic experts who have remained undecided and apprehensive. These experiences might well have induced the thought that at least until our economy develops on lines which make economic doctrines derived from different economic climates applicable here, there would be little use in raising controversies by seeking expert economic advice. It would have been unfortunate if this had become the accepted opinion in political quarters.

The setting up of the Panel was therefore a significant step of real value. It has helped planning to be approached from a larger point of view than what the politician's regional or ideological preoccupations or the administrator's concern with finance and feasibility, would have permitted. For Indian economists, it was a real opportunity for a practical application of their method to the structure of the Indian economy—dealing quantitatively and qualitatively with the real causes of growth and stagnation. It was an excellent field for the exercise of combining theory with reality and should have turned the economists' attention to the development of a body of indigenous doctrine applicable to the domestic scene. Prof. Ganguli's recent address at the annual conference of economists at Poona seems to be an indication of this newly-awakened desire to open up new paths. Shorn of its abstruse phraseology, Prof. Ganguli's address involved a plea for an Indian school of thought, which would find exciting the pursuit of the problems involved in constructing a local economic model, tracing relationships and flows among regional and functional groups. The present state of economic studies at the university levels may not permit an adequate task force or competent direction for such research but to the extent to which it is practicable, Prof. Ganguli's advice deserves to be followed, making our economic knowledge closer to reality.

162/177
But on the actual details of planning, there has been little evidence of the impact of the available economic knowledge. The discussions in April following the presentation of the Plan-Frame showed that the contribution of the Panel of Economists towards a solution of the problems of resources or of the particular projects and targets was not significant. Nor did the opinion of experts give any conscious direction to the problems of social policy involved in planning; at best the economists have only echoed the various sentiments expressed in political terms. The most serious among the omissions, for example, was the failure to recognise that the investment and targets proposed in the Plan-frame had failed to take account of complementary investment in transport. It was an outstanding case of their remoteness from realities. Again, there was hardly any attempt to assess the capacity for development in the private sector or of its resources—which in subsequent discussions have turned out to be far greater than what the Plan-Frame had assumed. Nor was the Economists' Panel clear about the necessity for a system

of priorities in the context of scarce resources. The result now is that the shape of the Plan has been determined more by the competitive enthusiasm of the various Ministries to impress the public than by the subordination of proposals belonging to the second order of priorities. On questions of deficit financing, expert opinion has been equivocal. Considering that the scope for deficit financing has now been widened, and not narrowed, it is clear that not enough importance has been attached to the advice tendered.

At the same time, however, all these circumstances cannot be taken as indications of the total absence of competent advice whether of economists or of other men with ripe experience of public affairs. The truth, however, is that there have been far too many pulls within the party to be reckoned with and expert advice from outside, however competent, has stood in danger of being disregarded. The reduction of the second Five-Year Plan to about half its original size has been achieved—especially in the States sector—by readjustments at the political level rather than by any recognised system of national priorities. Whether it is a question of increasing employment opportunities or of determining the type of projects to be taken up, the criteria adopted have been fixed on the basis of the potential political appeal of such decisions than on other considerations of intrinsic soundness or internal consistency.

It would thus require a great deal of inter-pidity on the part of economists to pierce this wall between them and the policy-makers and it may be that they can derive moral and political support by making themselves fully heard and in convincing a wider public. There may be differences among, and inconsistencies as between economists themselves but unless economists try hard to put forward solutions which appear to them to be the best, irrespective of the principles of the least political resistance adopted by Ministers, this wider public recognition of the value of their judgment will not be forthcoming. It is through the possibility of public opinion becoming informed that official opinion, which now seems wholly impervious to the influence of experts, can, in time, become more reasonable in its attitude.

It may not be within the province of the economist to insist on decisions of a particular nature being taken or not taken. That burden must rest squarely on the Minister and his civil servants but that is no reason for the economist to accept helplessly all the evaluations of the politician and work only within that circumscribed framework. That way leads to futility and the economists have often failed to be true to their vocation because they have evaded their own responsibility to evaluate proposed decisions bearing on economic policy. The Panel for example, has now discovered that the emphasis on employment targets and hand industries can be overdone or that too much may be left uncertain in over-ambitious planning far in excess of known resources. If economists bear in mind Keynes' dictum that their science offers "a method rather than a doctrine, an apparatus of the mind, a technique of thinking", they cannot resist going wherever their technique takes them. Their is not a duty of finding doctrinal bases for decisions taken at other levels but of bringing an informed judgment to bear on policy. They can yet do it.

New Status for Bombay?

DURING the three months since the publication of the States Reorganisation Commission's Report, the problem of Bombay has defied all attempts to secure an agreed solution. Mr. Shankarrao Deo himself announced this week the failure to secure any agreement. As the leading figure in all the controversies over Bombay which started after the Report, Mr. Deo must feel chastened by the intractable nature of the problem on which he has taken an uncompromising stand. The Congress Working Committee's formula has gained in the event and it is a little surprising that Maharashtra leadership should, in the process, be ready to face the loss of its hold over Bombay in order to merge the reluctant Vidharba areas in the new Maharashtra. It is still debatable in the light of subsequent developments whether the S.R.C. formula was as objectionable as it first seemed. The failure of the Commission to sugarcoat the bitter pill which it had sought to administer to the people of Maharashtra partly contributed to the bitterness. Even second thoughts do not appear to have made Maharashtra leaders take to a composite Bombay State with enthusiasm. It is to be greatly deplored that prestige and the original opposition to the S.R.C. Report should thus have stood in the way.

The acceptance of a composite State on the lines of the S.R.C. Report—with perhaps some agreed formula for Vidharbha's accession if it could be secured—might have solved this tangled problem quite satisfactorily. It has become clear that neither the Maharashtra nor the Gujarathi leaders oppose a bilingual state as such on principle, because they have both been willing to accept a composite State in which their own numerical position is strong. The blame for not achieving a composite State thus lies with both groups. The difference, however, is that Vidharbha has proved a more serious problem for Maharashtra. Apart from the original opposition to join a separate Maharashtra, the Vidharbha leaders are reported to have expressed great reluctance to join a bilingual state for a second time, after their long experience in Madhya Pradesh. As their attitude coincided with the aversion of the Gujarathis to live with a Maharashtra majority, no solution became possible on the lines of a large composite State as desired. But it yet lay within the grasp of Maharashtra leadership to seize the S.R.C. formula as still the lesser of the two evils and the failure to do so underlines a weakness of leadership.

This failure has transferred the burden of decision to other shoulders, more capable perhaps, but less deserving of being taxed in this manner. The three-State formula has been the alternative though even this has been subjected to criticism. The proposal lately made for making Bombay City a Centrally administered area was an afterthought which can mitigate some of this criticism. The expensive paraphernalia of a State Government for a single city can be avoided through Central administration. Control by the Centre would make the two unilingual States which would in future depend on the resources of Bombay City to feel less apprehensive. The financial surplus of the City can be allocated more justly to the two States than if a full-fledged State Government were to come into existence. This new solution has naturally appealed strongly to all

concerned as superior to the Working Committee's suggestion for a separate City State.

It seems quite inappropriate to see additional virtues for such Central administration of Bombay City. The theory that Bombay would thereby acquire new stature as India's commercial capital belongs to the realm of romance and not of constitutional or economic practice. Bombay will in any case continue to have its commercial and industrial importance as before. If some offices are shifted there for convenience in dealing with the concerned interests, it would not greatly alter the political status of the City. Obviously, it is neither possible nor desirable to transfer powers of decisions on national policy concerning industry and trade to any authority specially situated in Bombay. Nor will the creation of a special Ministry for Bombay Affairs at the Centre as suggested, prove necessary for the simple reason that no such Minister or Ministry can function over the heads of others directly concerned with the particular subjects. The constitution of Bombay as a separate Centrally Administered area is, therefore, an essentially political formula which should satisfy the Gujarathis, on the one hand, and leave the Maharashtrais, on the other, with less apprehension.

In other words, the description of Bombay as a second or commercial capital is only understandable as a convenient slogan to cloak the fact that on this question all the parties have shown a failure to negotiate, compromise, or offer a constructive approach which could substantially meet the wishes of all groups. The tone of the S.R.C. Report might have queered the pitch to some extent but there was opportunity enough left to remedy it. As it is, the S.R.C. formula stands fully vindicated, notwithstanding the fact that it has not been incorporated into the decision now reached. The Bombay problem seemed at first the only major weakness of the S.R.C. report, because it gave inadequate consideration to the strongly held wishes of the people of this area. But now it is clearly proved that there was no option left to the S.R.C. but to impose the solution they did. Even if the three-State formula now adopted had emanated from the S.R.C. itself, the same objections might have been urged with the same intensity. There is some virtue now in the fact that this solution is to be accepted after the democratic process has been exhausted.

The solution for Bombay clears the path for the implementation of the Report since it is now settled that the problem of the Punjab is one of conciliating the Sikh community and of finding satisfactory safeguards. The procedure adopted for the public discussion of all the issues involved in reorganisation has been responsible for exposing the weaknesses and virtues of the S.R.C. proposals. It was a very wise decision to have thrown them open for changes through agreement. It made our democracy go visibly into action and the Commission's proposals as modified rest on the unimpeachable foundations of popular acceptance. It is easy to overlook this vital aspect of reorganisation, as those who initially called for the enforcement of the S.R.C. Report as an award did. When on some other occasions, one has reason to doubt the scope allowed for the free play of democratic forces, it would be pleasant to recollect this episode to fortify our belief that political power will not always be used to exhibit its full strength.

The Tea Slump

THE new year opens, so far as tea is concerned, on a chilly note. The prospects have not been cheerful for the last month or two but it would now appear that the threatened disorder is greater than was suspected. A combination of circumstances, not the least of which has been indiscriminate raising of costs by Government pressure, have contrived to produce a situation which, in the absence of Government pressure, might have been only a mild recession which the industry could have managed on its own. It is vital that the Government of India should devote serious attention to the present situation in this industry and hold, if necessary in animated suspension their proposals to inflict costs on the industry which at the present time it is unable to bear. It is true profits in tea were excessively high in 1954, and the industry should have some capacity to hold out against adverse conditions now. But the structure of costs after new legislation will not enable the industry to earn normal profits in a normal year. It is not disgorging past profits alone which should cause concern; it is the permanent crippling of the industry even to maintain itself or to expand at all as in the national interests, it should certainly be required to do.

The present position of the tea industry has become difficult for a combination of reasons the most important of which is the current fall in prices. Thus for export teas the average price in 1955 was Rs. 2/5/5 against Rs. 3/0/7 in 1954; for dusts Rs. 2/2/8 against Rs. 2/5/8 and for internal leaf Rs. 1/5/8 against Rs. 2/3/2. This fall in prices has been accompanied by very considerable wage increases, and by increases in taxation. In the Dooars and in Darjeeling there have been minimum increases of 3 annas a day in the labourers' wages; the Plantation Act leave with pay provisions represent a 5 per cent increase in the total wage bill for the year; there has been a 6½ per cent employer's contribution to the Provident Fund in Assam; the Assam Carriage Tax has been quadrupled, and is now one anna a lb. Attempts are being made to levy this tax on Bengal teas which pass through Dhubri, the natural port of the Eastern Dooars. There are proposals for the imposition of an octroi on teas coming into Calcutta for use for sale or blending, and the export duty is 6 annas on teas selling at Rs. 2/5/- compared with 10 annas at the same time last year on teas selling at 11 annas more.

In an effort to meet rising costs of production, and to take advantage of what was believed to be the world demand, there has been a rapid increase in crops all over the world, and though the Committee on Tea Auctions expressed the opinion that 550 million lbs. would be well within the powers of the North East India gardens within 5 years, about 20 million lbs. additional crop, bringing the potential total to about 530 million, has already been produced. Overseas buyers and the Calcutta warehouse position have not become adjusted to the reduction in the permissible quantity of export of unsold teas. The Committee recognised that its policy would involve certain risks. In Para 22 of the Report, there is the phrase "we do not claim that our recommendations completely eliminate all risks". In Para 33 there is the observation that there will be many dangers to producers if they are compelled to sell teas because warehouse space is inadequate. In Para 31, there is the reference to the need for a

planned expansion of warehousing, if efficient handling of larger quantities of sale teas is to be achieved. In Para 52 (viii), there is a recognition that the warehousing position in Calcutta is difficult, and requires immediate remedial action. There is also the apprehension that in this year, unless action is taken, the short fall of accommodation is likely to be as much as 2½ lakhs of chests.

This estimate was astonishingly accurate, since recently over a lakh of chests have been awaiting unloading on the river for want of warehouse space, the flats and steamers being thus held up to the grave dislocation of movements of stores and other essential commodities to the tea districts. The position indeed, would have been much worse so far as the warehousing is concerned, had shoals not formed in the Brahmaputra above Gauhati, where over a lakh of chests were held up just before Christmas. The Port Authorities are doing what they can, but tea is now being handled in 20 godowns, instead of the 6 which are normally used, with many difficulties so far as administration is concerned, and with naturally a good deal of inconvenience to the parties, and additional expense.

Over this rather gloomy picture of increased production, inadequate warehousing, increased taxation and wages and reduced prices, loom the two other imponderables of the cost of implementation of the Plantations Labour Act, and the payment of bonus to workers. Certain gardens in Darjeeling are already working only three days a week, and it is believed that many Cachar gardens will show a loss on 1955's working. The North East India Tea Regulation Committee has been summoned for the 10th of January, but it must be recognised that regulation in one area merely gives opportunities to other areas, as indeed happened in 1953 when South India and Ceylon were able to increase their production on account of North East India's short falls. There seems need for an International Agreement and for the materialisation of the oft discussed bulk contract with Russia. In the meanwhile, the growing congestion in Calcutta and the high rate of export duty based on the London ruling prices, are having their effects on the prices realised in Calcutta. It is also very disturbing to see that "other territories" are increasing their sales on the London Auctions, and appear to have made good the reduction in the quantity expected from India.

It is clear that in addition to suspending their campaign for inflicting welfare at any price on this industry the Government must take in hand at once the extension of warehousing facilities in Calcutta which alone can enable stocks in excess to be held in reserve to prevent prices from crashing. It is the presence of this facility in abundance in the Port of London which enables the London Auctions to command the best prices in the world. It is sincerely to be hoped that the Government of India will take prompt action so as to prevent the complaint from being made that, having decreed larger auctions in Calcutta, almost nothing to guarantee storage and regulation, which are essential conditions of larger auctions has been undertaken. The Government of India's interest is as great as that of growers' since a reduction in prices of export teas will be reflected in an equal loss of foreign exchange.

How strong must the foundation be for 43 lakh houses?

In the last few years, large segments of our population have moved into the cities. Here they live in unbelievably congested tenement houses, adding to the cities' already acute housing shortage. We need 43 lakh houses to ease the strain on our cities.

In 1947 our cement production was 1.45 million tons. Today, it is 4.34 million tons—almost three times the 1947 figure. 40,000 people are employed in 26 modern, efficiently run factories.

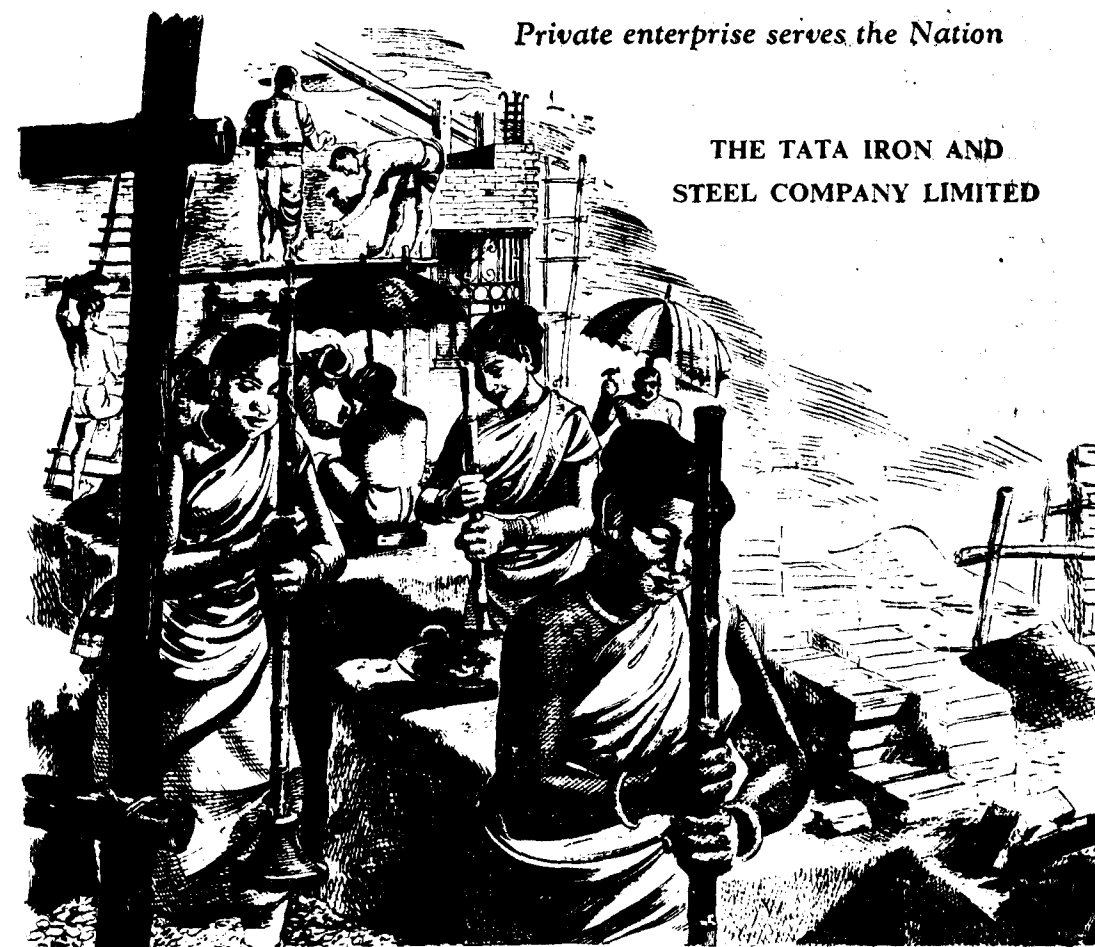
In our developing economy steel is

essential. That is why the Tata Iron & Steel Company has launched an expansion programme which will raise its capacity.

Ingot Production	
1955	1,050,000 tons
1959	2,000,000 tons

Private enterprise serves the Nation

THE TATA IRON AND
STEEL COMPANY LIMITED



THE WEEK'S NOTES

FRANCE PREFERS A CUL-DE-SAC

THE FRENCH political situation is becoming "curiouser and curiouser". The elections have failed to solve the problem of who is to govern France in the next five years, and, what is worse, the resulting party position is such that it seems inevitable nobody will rule it either even in name. It is all disappointing and the stock market has reacted immediately with a sudden drop in prices. Of course, even the most optimistic had not hoped that the elections will give a clear-cut verdict, for that is not possible by the very nature of the electoral system. But it had been believed that the instability created by the 1952 elections will at least be reduced. Particularly, it had been hoped that M. Mendes-France's Republican Front will emerge as the biggest group in the National Assembly.

It is now clear that the groups belonging to the Republican Front and the Government's Centre-Right Front cannot form a Government by themselves. It is equally obvious that neither can co-operate with the anti-parliamentarian Communists and Poujadists, the two extremist parties. Unfortunately these two groups have made a good showing at the polls securing about two hundred seats between them. So it is now left to the two Fronts to reconcile themselves to a Government by compromise—if indeed the French logical mind can contemplate a compromise—which can undertake certain essential reforms, at home and abroad, and thereafter go to the country for a decisive verdict under a more rational electoral system. Such a course of action is definitely to be preferred to a series of compromise Governments which are unable to take any vital decisions. If the election campaign and platform speeches have left behind any bitterness, the only way is to forgive and forget. Otherwise the country will be condemned to an impasse, with neither of the groups which have faith in the parliamentary system, being able to form a Government.

All said, it is difficult not to sympathise with the French voter in the dilemma in which he found himself on the eve of the election. Because of the succession of Premiers and Cabinets and the astonishing behaviour of the Assembly on occasions, it is difficult to assign credit for achievements or to apportion blame for failures to anyone or to any group in particular. It was, therefore, no wonder if he decided to vote for his regular party or the sitting Deputy, thus giving a fresh lease of life to the status quo. If there is to be a clear verdict from the voter a clear choice must be presented to him, and reform of the electoral system would be the first step towards helping France to get a government in keeping with the Big Power status thrust on her.

HOPES FADE IN MALAYA

THE FAILURE of the talks between the Chief Ministers of Malaya and Singapore and the Malaya Communist leader, Chin Peng, has not come as a surprise. No one had expected the Communists to accept immediately the terms of the amnesty offered by Tengku Abdul Rehman's Government. Nor would the Malaya Chief Minister accede to their demands, for doing so would have credited the Communists with having been engaged in the last eight years in a justifiable and patriotic campaign. Since the official aim was mainly to explain the amnesty terms personally to the Communist leader and to impress him with the sincerity behind the offer, there need be no despondency that an opportunity for peace has been lost. Moreover, the usual Communist practice of insisting on all demands at the first meeting may give way to a more reasonable and accommodating attitude, if and when parleys are later resumed.

It is evident to the Communists themselves that they are expecting too much in demanding official re-

cognition of their party, waiving of the check-up of the loyalty of members of the party and withdrawal of foreign troops. And if Tengku Rahman succeeds in his mission to London for speedier self-government it will be difficult to insist that the last demand has any meaning. The second demand has ceased to have much force since the Malayan Chief Minister had agreed to drop the loyalty check-up in the case of Chinese wishing to return to China. Continued insistence on official recognition for the party and freedom from police check-ups for partymen will thereafter only show that the Communists are not keen on a peaceful settlement. Whatever popular support they now enjoy may register a further decline.

Of course, this will not bring to an end the armed conflict and the consequent disarrangement of the people's lives. If military action against the terrorists is to be continued, it will mean a heavy burden on the exchequer. A fifth of the budget cannot be devoted for ever to this apparently senseless activity when the country is in urgent need of economic improvement—senseless because it is difficult to round up or shoot down some three thousand determined men bent on their campaign of terrorism. The importance of preventing this issue from taking on a racial complexion makes it all the more perplexing and calls for statesmanship of the highest order.

THE AGE OF THE DIVIDED GOSPEL

THE SIMULTANEOUS plenary sessions of the two opposing wings of the Praja Socialist party raised the Socialist banner at Gaya and Hyderabad in order to make it the gospel of the age, but it is difficult to see much constructive thinking in their discussions. There were discordant voices even at Gaya where one expected a more homogeneous presentation of doctrine after the purge. On the other hand, Mr. Lohia while saying much on the lines expected of him seemed more reasonable and moderate than ever before. It cannot be that his 'splendid isolation' from the socialist leaders has given him a new perspective on leadership. Mr. Lohia cannot be unaware that in any trend towards moderation he will lose the *raison d'être* for his secession from the main body of the party. He has always preferred the wilderness and the futility of a doctrine assorted at random than organisational solidarity or a consistent ideology. But the old guard has been no more constructive. Mr. J. P. Narayan has reaffirmed his retirement from politics and Acharya Narendra Deva has been too ill to provide the leadership.

With such a disorganised party, there was hardly any point in talking high about the necessity to build up an opposition. Such statements sounded almost like saying that the lack of an opposition too was a failure of Congress rule and not a failure of the Socialist party to find content for its doctrines and leadership for its inspiration. The fact that the Socialist party has on most occasions agreed with the policies of the Government inside Parliament cannot be overlooked by the electorate. There was some emphasis on fundamental rights, but barring property rights, on the abridgment of which Socialists are one with the Congress, there was nothing distinctive in this homage to civil liberties. The Socialists have done nothing to dispel the impression that they have enfeebled themselves too much to hope for success at the next elections as a democratic opposition.

ECONOMIC RETHINKING

PROF. GANGULI'S presidential address at the 38th annual conference of economists has attempted to focus the searchlight on economic thinking in India and on the question of the discovery of appropriate operational concepts for studying economics in this country. The



The New FARGO trucks

give maximum performance

However rugged the road conditions, and however heavy the loads, the new Fargo trucks are built to withstand them. Several new improvements impart to these trucks a new dependability and quality of excellent performance.

- * Large, heavy-duty transmission
- * Sturdy clutch with positive engaging action
- * Powerful, "equal-pressure" hydraulic brakes
- * Slightly increased wheel-base lengths
- * Maximum power at practical operating speed

* Models available with varying wheelbases and greater load capacity.

THE PREMIER AUTOMOBILES LTD.

Call at your local Fargo dealer. Ask him to show you many other features to help you choose the right Fargo truck for your needs.

Dealer: **M/S. Premnath Motors Ltd.,**
Scindia House, Curzon Road,
New Delhi.

address bore the marks of wide scholarship in economic theory and though it often bordered on the recondite, and could have been intelligible only to the few specialists assembled, it had a definite theme to offer. It was a bold thing for Prof. Ganguli to say to his fellow experts that they needed "a lot of rethinking on our basic concepts and premises, our methods of analysis and our approach to the understanding of economic reality in India". Prof. Ganguli underlined what he called a methodological deficiency in the theory of economic growth because it has made use of "aggregative concepts which are atomistic in character". Discarding such concepts and the study of individual behaviour, he considered it necessary to consider group behaviour and the significant areas or sectors.

Whether or not Cairnes's great theory of non-competing groups is the best new basis for rethinking on our economics, Prof. Ganguli's insistence on the need for some such basis is a welcome sign of dissatisfaction with the complacency which now prevails among our economists. There are apparently non-competing groups to be found in India according to regions and as between the rural and urban sectors. The significance of these groups in investigations relating to the terms of rural-urban trade, the 'protection' of the rural sector against the urban, the consequences of unilateral transfer of funds, regionally or between the sectors, which affect moneyflows have all been emphasised by Prof. Ganguli and if his address stimulates research in our universities in other than the beaten tracks on commonplace themes, it would have contributed to the growth of this science which will play an increasingly important part in the future.

HISTORY FOR THE MILLIONS

THE PRIME MINISTER'S message to the Indian History Congress has drawn pointed attention to the necessity of simplification in history writing. This advice is a reflection of Mr. Nehru's innate aversion for pedantry or heavy scholarship in any field of knowledge and he has not hesitated to say on occasions how even a judge or a scientist should adapt himself to the democratic age. It is questionable, however, whether Mr. Nehru has propounded a sound principle and whether it can be expected of any historian to write for the millions in the way the millions can understand. The task of a historian is only to interpret history objectively; but it is true that unnecessarily abstruse language has often been used, resulting in confusion rather than illumination of historical trends. Even if this is avoided, no professional historian will be in a position to avoid talking over the head of the average reader as he cannot, without sacrifice of professional integrity, substitute himself for the columnist, the text-book writer or the author of historical romance, who alone can cater to the general reader's understanding.

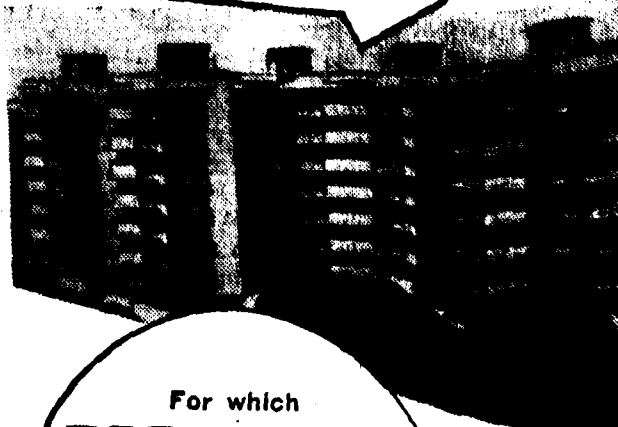
Sardar Panikkar's presidential address to the Indian History Congress was, by contrast, a constructive approach to defining the Indian historian's task. Mr. Panikkar suggested that the historian should take, not a nation or dynasty but an entire civilisation for his canvas, and then proceeded to suggest that the evolution of the Indian people offers itself as a vast theme in the place of dynastic history which has been common all along. Mr. Panikkar also threw out other ideas, which he regarded as fruitful topics for enquiry, relating to the development of Hindu social institutions. He seemed on doubtful ground in characterising a whole period in Indian history between the 8th and 12th centuries as a period of widespread decadence which required special investigation. This however, is for the historians to fight out; meanwhile, we can endorse his appeal to Indian historians to avoid "the heresy of elevating regional glories, as a result of their specialisation with certain periods or certain areas".

A FAIR ACHIEVEMENT

THE INDIAN INDUSTRIES FAIR has come to an end and a legitimate sense of achievement has pervaded organisers and exhibitors alike. The Government of India has reason to feel satisfied that, without direct official participation in the organisation of the Fair, it could provide an example of India's conception of co-existence. Indian business men have been looking upon the Fair as an opportunity to impress the Indian people of the value of technological progress so as to make them conscious of the stagnation that is involved in the advocacy of old-fashioned devices like the ambar charkha. Normally a Trade Fair, as organised in the West, is not intended to be an occasion for the public gaze, even though it may have educative value. But there is no reason why the industrially backward countries, which have to generate popular enthusiasm for democratic planning for progress, should not stress a different aspect of such Fairs.

The international importance of New Delhi at this time made it a suitable site for the Fair, but that is no reason why this City should always be the venue. Bombay and Calcutta have better claims as the leading business centres and port centres where foreign exhibitors can bring their wares more easily and inspect Indian manufacturers at close quarters. In any case, Delhi will have to improve its amenities, like transport and sanitation, before it can take another such Fair in its stride. Future Fairs may not be as long-drawn-out as the Delhi Fair which has acquired special significance because it was held on the eve of the second Five-Year Plan. But there is no reason why the official atmosphere of the capital should be closely associated with an Industries Fair which, fortunately, has been organised and conducted by an agency of the private sector, though with active official assistance and encouragement. The organisers can well rest on their laurels now, before they go on to do better.

**YET
ANOTHER
FINE BUILDING**



The new Staff Quarters of the Reserve Bank of India, Bombay

For which
**PARAMITE
CABLES**
Were specified
Manufactured by
THE INDIAN CABLE CO., LTD.
9, HARE STREET, CALCUTTA.
WORKS: TATANAGAR.

Electrical Contractors:
Free India Engineers
Fort, Bombay

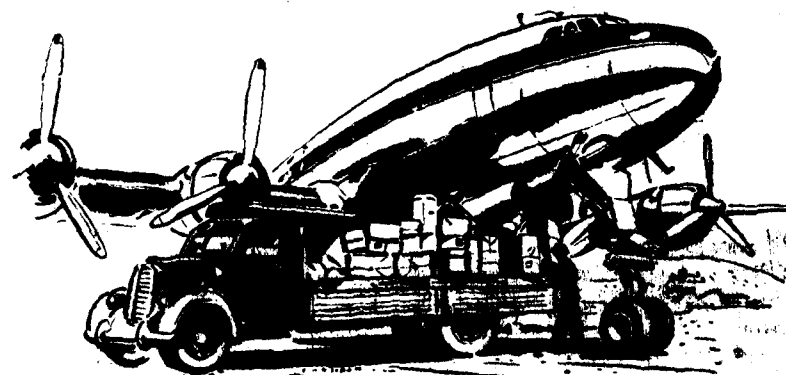
Architects:
J.A. Raghoe, A.R.I.S.A.
Bombay

Measurers:
Master, Sethi & Shukla,
Bombay



Branches—Bombay, Madras, New Delhi, Ahmedabad, Ambala, Secunderabad, Nagpur, Jamshepur, Kanpur, Bangalore, Coimbatore, and Trivandrum.

Fly your freight AND REPRESENTATIVES by B.O.A.C.



FAST, FREQUENT SERVICES TO ALL SIX CONTINENTS

Save time by delivery in hours instead of days. Save on warehousing, packing, breakages and insurance. It can cost you less to get your goods there first. It pays, too, to have your representatives on the spot fast!

Full information from your local B.O.A.C. Forwarding Agent or B.O.A.C., Speedbird House, Service Road, Connaught Place, New Delhi-1. Phone: 44234, 43978, 45085 and 47356.

B.O.A.C. TAKES GOOD CARE OF YOUR FREIGHT

BRITISH OVERSEAS AIRWAYS CORPORATION WITH QANTAS S.A.A. AND TEAL

The three-mile long Hirakud Dam will rise to a height of nearly 200 ft. Estimated to cost Rs. 92 crores, this project will bring adequate supplies of water to 1.09 million acres of parched farm lands.

WEALTH FROM THE WASTES

The hydro-electric power plants at

the dam site will have an installed capacity of 123.00 k. w.

with some 400 miles of transmission lines which

will accelerate development in the northern area of the Orissa State.



Thousands of tons of steel have been used so far in Hirakud for reinforcing concrete and earthwork, and for super-structures. Here, as in other River Valley Projects, STEEL is of basic importance

**STEEL
FOR
PROGRESS**

Inserted by



Managing Agents: **MARTIN BURN LTD.**

12, Mission Row, Calcutta 1

Branches: New Delhi Bombay Kanpur

A Window on the World

TO SPITE OUR OWN FACES?

By

ODYSSEUS

IF IN THIS NEW YEAR, we follow the advice showered upon us by the good comrades Bulganin and Khrushchev, one of our main tasks will be to shake ourselves free from all Commonwealth ties.

Before launching out on this care-free path, a point to realise is that the effect of cutting adrift from the Commonwealth would be to propagate further the forces of nationalism in Asia and in the world.

The agitation for self-determination, as Professor C. E. Carrington observed in the April, 1955, issue of "International Affairs", is the strongest of political emotions, springing from the heart, and enlisting heroic endeavour and sacrifice. Yet nationalism, as an idea, has no logic to support it. Nobody had as yet been able to define what a "nation" is more closely than as a group of people who suppose themselves to be a nation, in which case "self-determination" tends to split bigger groups into ever smaller ones. You may have forgotten that at first the "India" which demanded self-determination was an area which stretched from beyond Karachi to beyond Rangoon; then in due course it was India, Burma, and Pakistan, and now we see the Maharattas, Sikhs, and other "nations", striving for their own "states", and East Bengal wanting to assert itself against Pakistan. From which it appears that, besides creating heroes, the emotion of self-determination creates chaos.

As against the nationalist trend towards a star-dust, milky way of nations around the globe, at least one big group, the Commonwealth, has realised that no small group can preserve its independence in this our One World which (in contrast to its vastness in nineteenth century conditions) twentieth century radio, communications, aeronautics, and nuclear physics have contracted to the size of Orissa. By sticking to their Sinn Fein ('Ourselves alone') slogan, and carving out the small enclave of the Free (sic) State, the Irish have confined themselves to a backwater out of the main stream of progress among those nations which have demonstrated their forward, radical thinking, their progressiveness, by rejecting nationalism in favour of the links and mutual concessions of the Commonwealth, an organisation whose logic lies in whittling away local sovereignties and broadening the area of international co-operation.

NATIONALISM AND CHAOS

If by proclaiming her adherence to the Commonwealth, India's leaders have shown their realistic appreciation of the value of international co-operation, it nevertheless remains true that the principle of nationalism continues to play a considerable part in Indian feelings. It is easy to see why. The world powers of the twentieth century chanced to achieve their greatness while passing through a nationalist phase in the nineteenth. India, and other parts of Asia, were stirred by the nationalistic example of the west, and deeply moved by the apparent triumph of the principle of nationalism, and all their thoughts and feelings are still coloured by their reaction to, and adoption of, western nationalism. So much so that Asia fails as yet to perceive that (1) the west is struggling to free itself from the international chaos that is the logical outcome

of nationalism, and (2) the Commonwealth is the only group that has succeeded in freeing itself to any appreciable extent.

I have never really seen eye to eye with my distinguished predecessor, Karl Marx, but there is one point on which I am coming to believe that he was right. His idea of the withering away of the super state is strikingly illustrated in the history of the Commonwealth. The Commonwealth originated in the exertions over a period of centuries of the inhabitants of Britain. By the middle of the nineteenth century, they were ruling a mighty empire from London. But with each passing decade more and more sovereignty (political control) was abandoned by London, until the Commonwealth ceased to be either an empire or a political unit. Those who are hostile to the Commonwealth have, in the past half century, often proclaimed that it is on its way to a total disintegration which by now should surely have been achieved. They think this because their study of what is now seen to be out of date political science taught them that where there was no political control, no unit could exist. In this, the contrast between the practice of the Soviet Union of (so called) autonomous republics and of the Commonwealth is illuminating. For whereas Moscow refuses to relax control of its constituent states, London has no control left to relax.

POLITICAL vs. ADMINISTRATIVE RELATIONS

The 1956 Commonwealth should suggest a new conception to students of political science, namely, that political relations tend to friction and division; administrative relations tend to co-operation and merging into larger groups.

It used to be argued that the Commonwealth was held together by the Crown and other historic loyalties. If this were true, India would no longer be a member, and in fact I doubt its truth in the case of Canada, Australia, and the rest also. What holds the Commonwealth together today are common interests, material or administrative. A study of economic statistics, of trade routes, and of the means of communication (shipping, cables, air, and radio routes) shows that the Commonwealth stands as a network of trading and communications centres and links. If any part were broken off, on the one hand, the whole would be materially weakened, and on the other, the power of the splinter to survive would be gravely threatened.

The proposition that the Commonwealth had broken, or would break up, because it was no longer a single strategic unit, controlled from one centre, is another hang-over from the old concept that unity can only exist with single political control. Against this, it is arguable that a Commonwealth whose members can freely subscribe to regional defence pacts is stronger than one which cannot and which insists on standing alone as one political whole. Australia and New Zealand are less likely to be victims of aggression because of the knowledge that the USA is behind them in case of need. The position of India and of Canada can be likened to those of

"bridges" that open up the possibility of wider Commonwealth co-operation with Asia and the USA and the dollar area.

Among the weaknesses of the UNO as a centre for international co-operation is that it is bound up with relations between political sovereignties and that it therefore serves as a world debating platform for the promulgation of rival policies, thereby raising problems of "face" and of prestige. Among the strengths of the Commonwealth are the informality, unobtrusiveness, and privacy of its meetings. Few people realise that the Commonwealth Relations Office acts as a great information exchange centre, where, as Professor Carrington points out, the High Commissioners regularly meet round a table with British Ministers of the Crown, where innumerable conferences are arranged at high and low levels, where confidential dispatches provide all Commonwealth members with information more copious and more private than that supplied to any foreign power, where co-operation is ten times easier than among suspicious nation-states holding each other at diplomatic arm's length. It is typical of the Commonwealth atmosphere that while India, Pakistan, and South Africa are, in the world of diplomacy, on poor terms, in all the other far more serviceable functions of social life they co-operate freely through Commonwealth channels. At conferences of Commonwealth premiers problems are discussed informally between friends, and not as at UNO where words are weighed and relations soured by suspicions, or preserved solely in a "deep freeze of protocol".

Some enterprising candidate for a Ph.D. should undertake a social investigation of the ramifications of trade within the sterling area, not a mere statistical analysis but an investigation of the types of goods that circulate in response to what social demands, by what routes, in whose ships, and how actual day to day payments are made. This would probably reveal an inter-weaving of commercial and financial links held together by long-standing, friendly agreements among

merchants, traders, and bankers, organised in the same way, maintaining the same standards of conduct and thoroughly understanding each other.

Among the institutions making for international co-operation from which we would cut ourselves off by quitting the Commonwealth are those of the type of the Commonwealth Parliamentary Association and of the Association of Commonwealth universities. Any attempt by London, or any other centre, to dominate the others, and any proposal for political integration or for central control would be shouted down. It is because everyone knows this that they can co-operate without reserve on the practical level. Common standards of parliamentary conduct and of educational ideals and methods are important factors in maintaining the Commonwealth network of daily, unobtrusive, uncontroversial, and routine international co-operation. The power of a common educational ideal, for example, has established throughout the Commonwealth the same sort of qualifications for a doctor, lawyer, architect, engineer, accountant, etc. It may be that if India succeeds in spreading her idea of a neutral sphere in Asia, it will be because she is drawing on the resources of the great pool of Commonwealth knowledge and culture, to which, of course, she is herself an important contributor. Professor Carrington defines this Commonwealth culture as that of a free society, a commercial society, and a society with a common practical, professional and technical knowledge.

Seeing that the Commonwealth has no central political binding force (like the Politbureau in the USSR), it might be supposed that members would quit at the drop of a hat. The opposite is more likely: the Commonwealth will hold together through its practical advantages. Out of its free association, ever stronger bonds of friendship may grow. I am not surprised that comrades Bulganin and Khrushchev are envious of India's Commonwealth membership. But why they should think that we will be in a hurry to cut off our Commonwealth nose to spite our own face is more difficult to understand.

NO MORE

PACKAGING HEADACHES FOR MANUFACTURERS

Production of
**Moisture-proof Transparent
Cellulose Film commences in India!**

The Travancore Rayons are pleased to announce that they are now in a position to supply manufacturers with moisture-proof transparent cellulose film, hitherto imported from abroad.

Attractive packaging plays an important part in the sale of a product. Cellulose film offers all the advantages of good display, combined with maximum protection against soiling or deterioration. Thus cellulose film has become the first choice of manufacturers with goods to sell.

Increasing use by Indian manufacturers

Moisture-proof transparent cellulose film is being put to increasing use by Indian manufacturers. This unique film 'seals-in' perishable goods against the weather, preserves their freshness. It also protects them against dirt and soiling.

The Travancore Rayons will manufacture a special "Heatsealing Moisture-proof" transparent cellulose film. This film can be sealed by the simple application of a warm iron along the seam. Goods packed in this film will not get stale.

The Travancore Rayons Ltd., would be pleased to answer queries on the advantages, uses and characteristics of the various types of transparent cellulose film manufactured by them, as also on all other aspects of packing involving the use of transparent cellulose film.

THE TRAVANCORE RAYONS LIMITED

Sales office: United India Life Building, Madras-1

Factory: Rayonpuram, North Travancore

Managing Agents: Emcete & Sons (Travancore) Ltd.,



FLY TWA Now
and Save

Fly the Finest...

FLY TWA
TRANS WORLD AIRLINES
ASIA • AFRICA • EUROPE • U.S.A.

Saha & Rai Travels Ltd., Hotel Ambassador New Delhi. Reservation & Booking—Phone 45121/7.

The Metal Box



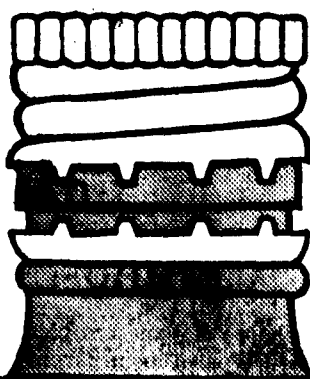
means

Retail Safety

FOR FULL DETAILS AND TECHNICAL ADVICE PLEASE CONTACT

The Metal Box Company of India Ltd

Calcutta Bombay Madras Delhi Mangalore



MBX-50/55

TALKS ON SKIN BEAUTY

Exercise and fresh air are Essential for
Keeping Your Complexion Young and healthy.

But Your Skin Also Needs External Care.

Mysore Sandal Soap

Made from the finest ingredients,
Cleans and tones up Your Skin and Complexion.

Try a Cake today

MYSORE SANDAL SOAP

ESSENTIAL FOR SKIN BEAUTY

Available at all leading Stores

Government Soap Factory

BANGALORE
Member: I.S.T.M.A.

A DELHI DIARY

A HAPPY NEW YEAR!

EMERGING in mid-winter from my hibernation in the last month let me say, firstly—"A Happy New Year". The year opens with a goodly assortment of problems, notably the States Reorganization Commission's report with its special offshoot in Bombay, and minor disputes in the Punjab and elsewhere; the draft memorandum of the second Five-Year Plan has also emerged in the New Year; stray extracts from it have hit the headlines in the newspapers, from where they have struck hard at the stock exchanges. The talk of a ceiling on incomes (at a figure which distresses me exceedingly!) has disturbed me not a little and seems by figures to have had a similar effect on the stock exchanges. The net result is that the New Year, both politically and economically, opens under a cloud without its proverbial silver lining.

JAUNDICE AND THE PLAN

Two events in Delhi stand out in the last fortnight. Quite deliberately, I choose jaundice first, because it may possibly be the cause of all things—the *fons et origo* of the philosophers! Do not people talk about viewing things with a jaundiced eye? I think, for example, our planners have a jaundiced eye when they talk about new taxation. Whether 'ideological' jaundice is contracted from the water supply or not, it is not for me to say. The other kind (alas!) certainly is. I see that at the time of writing, several Central Health Experts have come to the conclusion that failure in the water supply, or rather its contamination, in the month of November, 1955, was the most probable cause of the severe epidemic of jaundice that we have had in the last three weeks. I might mention that this has nothing to do with the Jumna floods in October; therefore, no acts of God can be held responsible. This is entirely an act of man; may I say, however, that man—as in the Indian Penal Code—includes woman!

This contamination of the water of this city was the result of realignment of some pipes or parts thereof near the suction point adjoining the pumping station. I am told that a full enquiry is being undertaken; but will not somebody tell me why no care was taken to prevent fouling at the time of renovation, rationalisation or otherwise?

COMPENSATION, PLEASE!

May I raise the important issue of compensation? The public sector talks of compensation when it takes over units in the private sector and compensation, it is generally agreed, should be paid when damage is done. For this great muddle in the water supply of this great city, who will pay compensation to the victims? I suggest to all the lawyers of Delhi a fruitful source of revenue! Is there no obligation arising from the payment of taxes or water rates that residents of Delhi should be supplied with water free from contamination? If there is such a contract, its violation should entitle victims of the Municipal Committee's mismanagement to damage. I, therefore, boldly suggest that the 15,000 (or more) victims should consider whether or not they can recover from the municipal authorities (or the Government of India) some of the vast expenditure in time and money which has resulted from this case of negligence, which has been partly proved already, and may be fully proved in a short time.

So far as "The Eastern Economist" is concerned, may I put in a full account? Four members of "The Eastern Economist's" staff have been out of commercial use because of jaundice. The fact that the Annual Number was in the throes of preparation when this

occurred will, I hope, excuse the numerous errors in proof-reading and otherwise which have occurred. I consider that corporate bodies like "The Eastern Economist" who have also suffered should put in a claim for excessive strain and damage to their legendary reputations. I decree the penalty very moderately. I demand that every member of the Health Services responsible should be compelled to read every figure in "The Eastern Economist", Annual Number, 1955. I have no doubt this would be a severe trial; can anyone suggest something worse?

Passing now to the draft memorandum of the second Plan, which, alas, is still a secret document (although vast extracts of it have appeared in the press), I can only say parts of it seem to be as disturbing as the jaundice epidemic. From the little I have been able to deduce about the draft from the Press I would have said it was a most skilful general presentation which has been marred by wicked kite-flying on issues like the ceiling on incomes on which no adequate thought has as yet been bestowed. This happens to be, to my mind, one of New Delhi's serious disorders. Apparently the most radical recommendations can find their way innocently into print without the slightest regard for consequences. Everyone knows that a ceiling of incomes at Rs. 30,000 per year to which reference has been made will certainly not come even at the end of the Plan. Why then should the Draft refer to it so pointedly? I fear not a little of the errors made in this respect arise from the accident that members of the Planning Commission live so far from the market-place. There is thus a great increase in the volume of internal tension. Since the abatement of tensions is so important a part of the Prime Minister's philosophy, I am acutely distressed at the reckless manner in which he allows tensions to be created at home. I venture to assert we have two tensions at home for every one abatement of tension abroad. Please, may we be allowed more of the international kind? They are at least good for trade!

FESTINA LENTE.

Almost the only comforting new effect in the extracts on the draft memorandum appearing in the newspapers is the good news that prohibition is now proposed to be phased, that is to say, total prohibition will not come about in 1958 but will wend its way hopefully on for many years. It is better to travel hopefully than to arrive. Now the States are not to receive special directives but are likely to be advised to conserve their resources where possible. This is really to be a long and interesting journey. One needs to be grateful for small mercies in these hard days!

BURMA DAY

I would like, since this is an appropriate point of virtue, to refer to the celebration of Burma Day last Wednesday. There are many who are grateful to His Excellency the Burmese Ambassador for having departed so happily from the current diplomatic practice of observing Prohibition at national receptions. The introduction of 'dryness' does nothing to produce enthusiasm, local or national. There was no lack of enthusiasm last Wednesday and a vast gathering greatly appreciated the warm hospitality of the Union of Burma. I have no doubt that our friendship with the Union of Burma has been greatly augmented thereby. May I suggest this carries a moral which other Embassies in New Delhi as well as the Indian Union might well employ?

ARGUS.

Economic Report from the U.S.

OUTLOOK FOR 1956

(BY GUY SIMS FITCH)

WASHINGTON, Dec. 21.—American economists and business men now preparing their annual forecasts of what the future holds in store, have arrived at a virtually unanimous conclusion. They are looking forward to 1956 as another year of prosperity in the United States. And they see no early halt to the economic advance that has lasted for more than a year. What they see ahead is a year in which the gross national product—the total output of goods and services—will reach the \$400,000 million mark for the first time in history. This would be a gain of more than 3 per cent over 1955—sufficient to maintain a full-employment and full-production economy. It hardly can be expected that 1956 will equal the spectacular 8 per cent rise achieved in 1955, when the economy was making up for ground lost during the 1954 let down.

For one thing, further production gains may be limited by a lack of unused industrial facilities, as rising output bumps against capacity ceilings. In some industries, production facilities already had strained by the strength of current demand. For another, helping sustain the record consumer demand in 1955 was a record increase in credit. Many economists doubt that this credit expansion can continue for long at its 1955 pace, as more and more consumers repay outstanding debts. If it does not, sales of durable goods, notably automobiles and some household appliances, may be curtailed somewhat.

But even if activity in these fields should fall off, other factors will combine to keep economic levels high. A drop in automobile production, for instance, would free more steel for the railroads, which now have an order backlog of 140,000 freight cars. A drop in residential construction would provide more materials for the anticipated record pace of commercial building. Also, Governmental expenditures, which have been falling in the past two years, seem to have reached the end of their decline and may even increase slightly, by about \$3,000 million. Much of this increase will be reflected in a continuing rise in State and local spending for schools, hospitals, highways and other public works.

Consumer and business spending, however, will remain the most potent economic factor in 1956. With employment and incomes on the rise, American are expected to maintain their record expenditures for goods and services. And business spending on new plant and equipment, to keep pace with the rising demand will furnish an even stronger economic support than in the past. Latest surveys show that business men plan to step up their expenditures for this purpose by 13 per cent in the year ahead, to a peak of \$33,000 million.

With the economy running in high gear, industrial prices may show a slight rise in response to the continued pressure of demand. Experience of the past year has demonstrated, however, that dangerous inflationary forces can be kept under control by the Government's effective monetary policies, which have helped forestall a runaway boom. The flexibility of these Government policies constitutes another source of strength. Monetary restrictions, such as those on consumer and bank borrowings, can be eased—providing a climate for renewed expansion—if signs of a business letdown should appear. Furthermore, with the Federal budget close to balance, there is the possibility of a tax cut that would put even more spendable income in the hands of the American people.

After weighing these factors, and examining conditions in their own industries, business leaders in various fields have come up with the following predictions for 1956:

1. In transport, both railroad and trucking companies expect further increases in earnings and business volume. Railroad men, for instance, anticipate a 20 per cent gain in freight volume.

2. Total new construction is estimated at \$44,000 million, another new record and 5 per cent above the 1955 level. An anticipated minor drop in new housing starts to 1.2 million for the year may be more than offset by increases in all categories of non-residential construction.

3. The Iron and steel industry believes that steel production in the first half of 1956 may set a new half-year mark of more than 60 million short tons. Even if there is a letdown later in the year, total output will probably equal or exceed the 1955 record of 117 million tons.

4. The electronics industry expects its shipments to exceed 1955's by 7.5 per cent.

5. Retailers look for sales gains in 1956 ranging from 5 to 10 per cent. Furniture sales should equal the 1955 volume. Automobile sales also should remain high, although they may not match the record 1955 rate.

6. The agricultural situation will bear watching. Farm incomes fell 10 per cent in 1955, largely because of heavy out-pouring of crops. But many experts are hopeful that the continuing strong demand for food accompanying the high level of consumer income will lead to some improvement in the price of farm commodities.

All in all, 1956 shapes up as another good year for the American economy, with production, incomes and employment continuing to rise and private activity retaining the strength that has brought the United States to the peak of prosperity.

RECORDS & STATISTICS (QUARTERLY BULLETIN)

Editor: R. V. MURTHY, M.A.

"The Eastern Economist" Bulletin of Records and Statistics surveys economic trends in each quarter in India and abroad with the aid of graphs and all available statistics. One of its special features is the Investment Supplement.

Annual subscription .. Rs. 12

For subscribers to "The Eastern Economist" .. 10

Single copy .. 3

Copies can be had from all important Booksellers and Railway bookstalls of Messrs. A.H. Wheeler & Company.

For details write to:

THE EASTERN ECONOMIST

NEW DELHI: 52, Queensway.

BOMBAY: Kermani Bldg., Sir P.M. Road, Fort.

CALCUTTA: 1A, Vansittart Row.

LONDON: 3, Salisbury Court, Fleet Street.

NEW YORK: 25, Broadway.

WORLDGRAM

AGRICULTURE

Compost From Cane Trash: A manure of a very good quality can be prepared from cane trash. Sugar-cane trash on farms is, at present, mostly wasted by being used for burning purposes. For preparing manure from cane trash, dig a pit three feet in depth and of sufficient length and breadth to hold all the trash produced on the farm. Moisten the trash and spread it evenly in the pit in nine-inch layers alternating with two to three inches layers of a thick slurry of cowdung in water. Fill up the pit this way till the heap rises to 1½ feet above the ground level. Make the top dome-shaped. After a week, cover the heap with an inch or 1½ inches thick layer of loose earth. The manure will be ready for use in about six to eight months. Instead of cowdung, horsedung may be used. Old compost can also be used, in which case the layer of compost over the trash should be 4½ inches thick.

Chilli Thrips: Dusting the chilli crop with DDT or BHC has been found completely to control thrips on the crop. Thrips are a bad pest on chilli. They attack the crop both in the nursery and the field. When there is an attack, a serious malady, commonly known as leaf curl, occurs. As a result, thirty to fifty per cent of the crop, and sometimes more, is lost. Experiments conducted for a number of years show that applying 5 per cent BHC dust at 20 pounds per acre is effective in controlling the pest. Normally, one round of the treatment will be sufficient. The treatment costs about 5 rupees per acre, but the gain to farmers by way of additional yield may be valued at Rs. 100 to Rs. 200.

INDUSTRY

Lower U.S. Car Output in 1956 Forecast: Leaders in the U.S. motor industry are now openly predicting a decline in business next year. Previously they had indicated that output in 1956 would be about equal to that of 1955, which will fall just short of 8 million units. The President of General Motors forecasts that this year output of cars will be 7,060,000 vehicles or a 12 per cent decline from 1955. The President of American Motors Corporation forecasts a drop of 15 per cent in the industry's output with sales down by almost 9 per cent. He estimates output at 6.8 million cars. Sales are estimated at 6,650,000 compared with an estimated 7.3 million for last year.

Sharp Rise in World Steel Output: Steel production in the Western world made a "strong comeback" in 1955, regaining a three-to-one majority over the Communist countries, according to the magazine "Iron Age". Total world output was estimated at 293 million tons in the year against 254 million tons in 1954. The non-Communist nations of Europe, Asia and the United States increased their steel output by 22.5 per cent over 1954 production, while the Soviet Union and other Communist countries increased their production by only 10.5 per cent. The U.S.A. led the Western countries with an increase of 32 per cent. The U.S. production in 1955 was estimated at 116.5 million tons, a record compared with 88.3 million tons in 1954. The Soviet Union produced 49.6 million tons in 1955, compared with 45.2 million tons in 1954, an increase of 10 per cent.

Certification Mark for Magnesium Chloride: The Indian Standards Institution has granted a licence for the use of its Certification Mark to the Pioneer Magnesia Works, Ltd., Bombay, in respect of magnesium chloride produced by the firm. The Standard Mark on the drums of magnesium chloride will indicate that the product is

in conformity with the Indian standard specification for magnesium chloride, technical. The Standard Mark consists of the monogram of the Institution superscribed by the number designation IS: 254. Apart from the consumption of magnesium chloride by the textile and chemical industries in India, a large quantity is exported to European markets. This is the first licence granted by ISI for a chemical product; the previous six licences granted were for electrical goods. The Institution has at present under consideration several other applications for grant of licences in respect of other chemicals, metallurgical products and engineering and building materials.

Indian Electricity Output: During September, 1955, 707 electricity undertakings in India produced 717.6 million kilowatt hours of power, of which 587.1 million kWh were sold to ultimate consumers. As compared to August, power generation during the month increased by 11.3 million kWh. Two Diesel generating stations, one at Bhadrachalam in Andhra, and the other at Vita in Bombay, were the new additions made during the month. The corresponding figures of output and sale for September, are 645.3 million kWh and 523 million kWh, and for September, 1954, 209.1 million kWh and 175.9 million kWh, respectively.

TRADE

Export Policy for Iron and Manganese Ores from the Ports of Madras, Visakhapatnam, Masulipatam, Kakinada and Bombay: The Government of India has reviewed the export policy for iron and manganese ores from the ports of Madras, Visakhapatnam, Masulipatam, Kakinada and Bombay in the light of wagon availability and the performance of the shippers. Movement of ores from Bellary-Hospet (metre gauge) section for shipment through Madras port will continue to be regulated on quota basis. Movement of ores from Bellary-Hospet (metre gauge) to port of Madras, Secunderabad-Dronachallam (metre gauge) section of the Central Railway, broad-gauge lines on the Southern Railway leading to the ports of Madras and Andhra and also metre and broad gauge lines from Bellary-Hospet area to Bombay port will continue to be regulated by the issue of registration ships. But the procedure for registration ships has been modified. The details of the procedure for grant of quotas/registration slips are being notified by the port officers concerned.

Export Policy for Iron and Manganese Ores from Calcutta Port: The Government of India has reviewed the policy for export of iron and manganese ores from the port of Calcutta in the light of the availability of wagons. It has been decided to continue the licensing of exports of these ores during January-June 1956 on a quota basis through established shippers and mine-owners. The details of the procedure are being notified by the Port officer concerned.

Government's Import Policy: Liberalisation of the imports of machinery and industrial raw materials to sustain the tempo of industrialisation in the country is the main feature of the Government of India's import policy for the period January to June 1956. Part of the resources saved by the expected diminution of food imports will be diverted to larger imports of cotton, jute and petroleum products. On the basis of estimated increase in production, import quotas have been reduced for buttons, pruning knives, hardware, wire mesh and wire netting, textile preservatives, textile finishing oil, certain coal tar dyes, water meters, socks and stockings and several drugs, medicines, chemicals and fluorescent tubes.

Record Ceylon Trade Surplus: Ceylon had its highest ever favourable trade balance of Rs. 453 million for the 11 months ending November 30, 1955, according to official figures. This compares with Rs. 385.5 million in the corresponding period in 1954. Commercial circles confidently predict Ceylon's balance for 1956 will be over Rs. 500 million. In November, 1955, the favourable balance of trade amounted to Rs. 70 million. Exports were valued at Rs. 197 million, of which tea exports totalled Rs. 109 million for 35 million lbs and rubber Rs. 49.3 million for 30.4 million lbs. Tea exports to the U.K. in November 1955 totalled 11 million lbs. and were valued at Rs. 33.2 million.

Pakistan's Import Plans: Pakistan will import 211 articles during the January-June shipping period, according to the Ministry of Commerce. For 91 of these items licences will be issued to industrial consumers only. Licences will be valid for all countries except those issued for a single country under a trade-agreement, sub-authorisations will also be issued for items covered by American aid. Some of the more important items to be imported are iron and steel and other metals, silk and art silk yarn, cotton thread, fabrics, second-hand clothings, newsprint, drugs and medicines, glassware, manufacturing equipment, essential oil, including coconut, and a number of luxury items including cars.

Indo-Polish Trade Arrangement Extended: Pending negotiations for the conclusion of a fresh trade agreement between India and Poland, the current Trade Arrangement between the two countries has been extended as an ad interim measure up to March 31, 1956. The current Trade Agreement was signed on January 6, 1951, and was extended from time to time. It was last extended on March 3, 1955, and was valid up to December 31, 1955.

FINANCE

U.S. Fleet Finance: United Airlines has arranged to borrow \$120 million in new 25-year 4 per cent debentures and up to \$30 million of new bank credit to help pay for its \$175 million fleet of 30 Douglas DC-8 jets.

Working of the Cochin Port: The working of the Cochin Port in 1954-55 resulted in a surplus of Rs. 10.92 lakhs as against a surplus of Rs. 6.62 lakhs during the previous year. The net increase of Rs. 4.30 lakhs in the surplus over the previous year was made possible by an increase in revenue of Rs. 5.85 lakhs, set off by a small increase in expenditure of Rs. 1.55 lakhs. Gross revenue receipts of the Port Fund amounted to the record figure of Rs. 77.07 lakhs for 1954-55, as compared with Rs. 71.22 lakhs in 1953-54. As in the previous year, a special contribution of Rs. 5 lakhs was made to the Capital Account from the year's revenue, after making the usual contribution of Rs. 2 lakhs to the Revenue Reserve Fund and Rs. 3.97 lakhs to the "Accident" and "Renewals and Replacement" Funds.

Salt Cess: The Government of India announced on June 28, 1955 that small-scale manufacturers, whose individual holdings did not exceed ten acres, and who were organised as members of co-operative societies, even if the total area under salt production with each of such societies exceeded ten acres, would be exempted from the liability to pay the cess leviable under Section 3 of the Salt Cess Act, 1953. It is further announced that small-scale manufacturers, whose individual holdings exceed ten acres but not 100 acres and who are organised as members of co-operative societies, will henceforth, pay cess at the reduced rate of one anna per maund instead of two annas per maund.

and the village oil industry get grants of Rs. 25,425 and Rs. 14,000 respectively. A grant of Rs. 6,375 and a loan of Rs. 1,200 are provided for the village pottery industry. Madhya Bharat gets a grant of Rs. 34,200 for the development of the village oil industry. A loan of Rs. 4,000 and a grant of Rs. 4,885 have been given to the State for the development of the atta chakki industry. Madhya Pradesh has been sanctioned a grant of Rs. 9,750 and a loan of Rs. 5,000 for the development of the hand-made paper industry.

Liability to Indian Income-Tax of Foreign Exporters of Machinery: Doubts have been expressed in certain quarters about the liability to Indian income-tax of non-resident exporters of plant and machinery to India and of the resident importers thereof, who use the machinery for their business, in cases where the exporter does not recover the full value of the machinery before delivery and allows the importer to pay for it in instalments. Where the transaction between the exporter and importer is as between principal to principal, no tax liability attaches to the exporter. Where, therefore, the transaction of sale and the purchase of the plant and machinery is as between principal to principal and the exporter and the importer have no other business connection, the fact that the exporter allows the importer to pay for it in instalments will not by itself render the exporter liable to tax on the ground that the income is deemed to arise to him in India. The Indian importer will not in such a case be treated as an agent of the exporter for the purpose of assessment.

GENERAL

Peak Activity in Air Transport: World air transport traffic increased by one-fifth to reach a new peak during 1955 and shows signs of even more substantial growth in 1956. Nearly 70 million passengers have been carried by the world's airlines in 1955, against 59 million in 1954, while cargo and air-mail loads have increased in the same proportion. It is estimated that in 1956 the passenger figure may rise to 85 million and reach 100 million in 1957.

Half-yearly Report on Civil Aviation: A record number of passengers was flown by Indian air services during the first half of 1955, according to the half-yearly report on Civil Aviation in India. The total number of passengers on scheduled and non-scheduled services during the period was 2,98,173. The capacity ton miles operated by Air-India International on scheduled services rose from 12,225,192 in the previous half-year to 13,448,594 in the first half of 1955. On the Indian Airlines Corporation, the capacity ton miles on scheduled services rose from 20,859,559 to 21,279,774 in the corresponding periods. The overall load factor on the I.A.C.'s scheduled services rose from 20,859,559 to 21,279,774 in the corresponding periods. The overall load factor on the I.A.C.'s scheduled services rose from 70.3 per cent in the second half of 1954 to 71.3 per cent in the period under review. On the Air-India International's scheduled services, however, the overall load factor was reduced from 58.2 per cent to 56 per cent in the corresponding periods.

New Rail Survey on Eastern Railway Replacing Light Railway: Preliminary engineering and traffic surveys are to be carried out for a broad-gauge line of about 39 miles between Bukhtiarpur and Rajgir on the Eastern Railway. The survey has been ordered to examine the economics and traffic prospects of a broad-gauge line in place of the present narrow gauge line in the area served by the Bukhtiarpur-Bihar Light Railway.

NEWS IN BRIEF

INDIAN

The Central Government have extended the Bombay Prohibition Act, 1949, to the State of Kutch, according to a notification in the Gazette of India Extraordinary of December 29. This will empower the Chief Commissioner of Kutch to introduce prohibition in the State from a date to be notified by him in the 'State Gazette.'

The President, on the advice of the Prime Minister, has appointed Mr. Bali Ram Bhagat, M.P., to be a Deputy Minister. Mr. Bhagat will be attached to the Ministry of Finance.

The Victorian Branch of Save the Children Fund in Melbourne has sent a cheque for Rs. 528-3 to the Government of India. This amount will be given to a child orphaned as a result of the Portuguese firing in Goa during the Satyagraha movement.

The delegates to the ninth Congress of the International Society of Sugarcane Technologists who assembled in Bombay on January 4 and 5, 1956, would be having a three-week excursion tour of historically and culturally important places in India after the Congress.

The President gave his assent to the Bombay Highways Bill, 1955, on December, 1955. It provides inter alia, for control of road traffic not already controlled by State Legislation.

The Andhra Government is trying to improve all the 136 taluks in the State by providing them irrigation facilities so that the famine conditions which now and then occur in these parts may be eliminated once for all.

A turbine manufacturing factory is proposed to be set up at Naini, near Allahabad, in U.P. A team of foreign consulting engineers has arrived in Allahabad in this connection. They visited Naini and examined a site there suitable for setting up such a factory.

Mr. K. Gopalan, Secretary, Indian Central Coconut Committee, has been appointed as the marketing expert of the Food and Agriculture Organisation of the United Nations at Baghdad, Iraq.

The Punjab Government is understood to have requested the Union Government to allay the fears of the Ludhiana hosiery manufacturers over the reported intention of the Union Government to levy excise duty on hosiery goods.

The Government of Bihar, in pursuance of the Union Government scheme, has decided to purchase coarse rice of requisite specification at various godowns in the State at Rs. 11 per maund, inclusive of sales tax if any, if the market price of coarse rice goes down below Rs. 11 per maund.

A pilot scheme to collect data regarding the potentialities of the Ambar Charkha and to study weavers' reactions to yarn produced on it has been approved by the Government of India and is now being implemented. A sum of Rs. 29 lakhs has been sanctioned.

Mr. Jagjivan Ram, Union Minister for Communications laid on December 29, 1955, the foundation-stone of the building of an automatic telephone exchange in Patna. It is expected to be ready by the end of this year at a total cost of Rs. 16 lakhs.

FOREIGN

Snia Viscosa, the Italian rayon concern, has obtained a large contract to supply rayon to the Soviet Union.

Soviet Russia and People's China have signed a trade agreement for 1956, which provides for a further increase in the volume of goods exchanged between the two countries.

Japan's Minister of State, Mr. Matsutaro Shoriki, has been named head of a new atomic energy Committee, which will include Dr. Hideki Yukawa, the Japanese Nobel Prize Winner for physics.

Mr. Spencer, Minister of Economic Affairs of the Federation of Malaya, is flying to London on January 7 to act as an additional adviser to the Federation delegation on constitutional talks which open at the Colonial Office on January 18.

The United States Government is to ask Congress to allocate \$25,000,000 more towards medical research funds during the 1956-57 financial year for a total of \$122,800,000 as against \$97,800,000 during the present year.

The Pakistan Government has been informed by the U.S. International Co-operation Administration that procurement authorisation for an initial allotment of over \$17,000,000 from the United States aid for 1956 has been issued.

East German engineers have helped to build a large sugar factory at Paotou in Mongolia which will produce 1,000 tons of sugar daily.

Phillips Chemical Company, a subsidiary of Philipps Petroleum, will further expand the capacities of its synthetic rubber facilities near Borger, Texas. Synthetic rubber capacity will be increased by 30,000 long tons annually.

In the first ten months of 1955, Austrian imports rose by 45.9 per cent compared with the corresponding period of 1954, but exports by only 14 per cent.

The U.N. Korean Reconstruction Agency has made five grants, totalling \$15,600, to voluntary agencies. The projects they will aid include a rural training centre for homeless girls, a children's hospital ward, a home for babies, a home for elderly people, and self-help training projects for young people.

Three new cable car lines have been put into service in Austria. The new line at Hallstatt will enable visitors to view the salt mines that have been in continuous operation there for 3,000 years.

Pakistan International Airlines has announced reduction with immediate effect in round-trip fares on Karachi-Bombay Conair Service and Karachi-Delhi Sector.

Special Articles

DECENTRALISM AND THE KARVE REPORT

By

RAJ KRISHNA

(Lecturer in Economics, Delhi College, Delhi, and Honorary Planning Adviser, All-India Handicrafts Board, New Delhi.)

[These views are not those of "The Eastern Economist." The article is published here because of the request of some readers to have the other side of the picture presented.—Ed.]

THE current controversy about the Ambar Charkha should not be permitted to prevent a fair examination of the general policy of industrial decentralism recommended by the Karve Committee. So far the advocacy of decentralism has been primarily non-official, although official utterances have always abounded in expressions of general sympathy for it. The importance of the Karve Report lies in the fact that it is the first official report in which the policy recommended is avowedly "related to the concept of a decentralised economy in the future."

Decentralisation, moreover, is not treated by the Committee merely as a plea for a wider geographical dispersal of mass production units or for having small units as auxiliaries of large units, but as a radical philosophy of economic organisation which makes it necessary to "keep centralised, large scale activity at a minimum" and to choose and employ only such techniques as are "appropriate to a decentralised pattern".

Technical improvement should not "mean adding to the capacity of large-scale machine industry because such machine production is usually not on a decentralised basis." Effort has to be made "to adjust existing improved techniques for particular production activities which are ordinarily centralised in modern economies to a decentralised mode of operation or to invent or discover decentralised substitutes for them".

The importance of developing a new, decentralist technology can hardly be exaggerated, and the Committee have been wise in stressing it. For the whole future of decentralism depends on the adoption of an improved small-scale technology. Centralist opinion all too often associates small-scale production with static, primitive techniques and regards technical improvement as synonymous with the wholesale adoption of mass production techniques developed in the West in the last two centuries. The possibility of an improved small-scale technology is overlooked. It is forgotten that the development of mass production technology in the West was the result of peculiar historical circumstances, particularly the relative abundance of capital and shortage of labour, the patronage of technological research mainly by mass production interests, and the atmosphere of laissez-faire in which the employment effects and the serious social and psychological consequences of urbanisation and over-mechanised mass production could be ignored. In fundamentally different conditions such as obtain in India it should be possible to develop a different technology, if deliberate and concentrated effort is made to this end. There is nothing inherent in scientific method as such which should make it invent and improve mass production techniques only. It can equally invent and improve small-scale techniques if commissioned to do so.

As the Report on the Marketing of Handicrafts says: "No given technology is the best, economically and sociologically, for all societies. And, therefore,

every society must evolve a technology suitable to its own economic and social circumstances and aspirations. In the context of our circumstances and aspirations, the equipment used should have very low capital cost; it should be capable of being employed by and in small individual and co-operative units and it should increase efficiency and reduce costs without causing much labour displacement."

These, then, are the social criteria which the new technology should satisfy. As the Karve Committee have emphasised, the avoidance of technological unemployment is imperative in the conditions prevailing in India today. This necessity is one factor which must determine the rate and kind of technological change which is permissible. But equally important are the other sociological considerations. Unlike Western countries we should try to regulate technological change so that vital human values are not sacrificed at the altar of mechanical efficiency. We need a technology that truly serves man instead of dehumanizing and enslaving him, a technology that does not tear him away from a healthy natural and social milieu, does not distort and poison human relations by crowding together too many men divided up as owner-managers and wage-workers, does not thwart and atrophy his creativity and aesthetic sensibility and does not destroy his psycho-physical wholeness and dignity.

The Karve Committee have evinced a rare awareness of some of these deeper implications of techno-economic development in framing their recommendations. They recommend the decentralised pattern of development because it would cause "comparatively little disturbance to the locational and social set-up" of the communities of village artisans. Craftsmen "would not be reduced to the ranks of casual labour, being replaced by the factory wage labour, in urban concentrations." The one lesson that emerges from the findings of modern industrial psychology and sociology is that it is neither necessary nor desirable that large masses of people should be uprooted from their homes and hearths, from their natural surroundings and integrated village communities and turned into propertyless wage-workers working almost mechanically and joylessly in a few big factories in overcrowded cities. The human suffering occasioned by the uprooting and migration of millions of men, which industrialisation on the traditional 19th century Western pattern necessarily involves, is comparable to that caused by the migration of refugees after partition. A welfare state—unlike the laissez faire governments of the 19th century—cannot overlook it. On the contrary it must plan economic development on a pattern which averts it. Such a pattern has to be decentralistic so that instead of men being moved out of the villages into industrial cities, cheap electricity and small machines and improved processes are moved into the villages; and the villages are thus revitalized into balanced and prosperous agro-industrial communities without damaging their socio-cultural integration and harmony.

The decentralist pattern of economic development is moreover the one that is most conducive to the

growth of healthy human relationships and an effective democracy. As the Karve Committee says: "The principle of self-employment is at least as important to a successful democracy as that of self-government." This principle can find embodiment only in producer co-operatives employing low-cost decentralist technology. Highly capital-intensive mass production must result in the exploitation or domination of the propertyless wage-workers by plutocrats or bureaucrats. Unless in the major part of the industrial field workers themselves own their means of production in small co-operative groups, democracy must remain nominal irrespective of whether the organization of the economy is capitalistic or socialistic. As Huxley wrote in "Science, Liberty and Peace," "The centralizing of industrial capacity in big mass-producing factories has resulted in the reduction of ever-increasing numbers of individuals to complete dependence upon a few private capitalists and their managers, or upon the one public capitalist, the state, represented by politicians and working through civil servants. So far as liberty

is concerned, there is little to choose between the two types of boss." We can dispense with "bosses" only when we dispense with mass production (except in a few fields where it is absolutely unavoidable). Economic decentralism is the sine qua non of real political democracy.

It would be a pity if in the heat of minor controversies the perspective of a decentralist industrial policy presented by the Karve Committee is lost sight of, and the crucial decisions of our planners continue to be governed by a centralist vision. For then India would merely relay the socio-economic history of Western countries like Britain, Germany, Russia and the United States—a history of growing economic prosperity with growing centralism, social disruption, and psychological imbalance. She would have failed to present to the world a new, an alternative pattern of economic development which does not maximise economic values at the expense of other non-economic human values.

DEVELOPMENT OF POLISH AGRICULTURE

(Contributed)

THE fundamental land reform carried out after the war eliminated the land hunger among the peasants and created completely new conditions for the development of agriculture. According to the measure adopted by the Polish Committee of National Liberation on September 6, 1944, all the farms with more than 50 ha. of land in use became state property, without any compensation, to be distributed among the small holders and middle peasants and also in order to set up independent farms for landless peasants, farm labourers and small leaseholders. The land reform supplied the peasants with 6,070,100 ha. of land. Of all the farms existing at present, 33.4 per cent belong to peasants who receive their land completely or partly as a result of the land reform. All debts owed by the peasant farms to the banks and users were written off.

Part of the land was used to set up state farms as model and experimental farms. Owing to their adoption of advanced techniques and the up-to-date achievements of science, they act as a model for the small holders' farms. Only such big farms can make full use of mechanisation, and the largest types of tractors and combines in order to produce selected grain, to cultivate seed grass and industrial plants and to breed pedigreed livestock.

The following table illustrates the changes (in terms of percentages) which have taken place in the composition of the rural population:

	1931	1950
1. Total rural population	100	100
2. Landlords	0.2	..
3. Agricultural workers on private farms	11.9	1.9
4. Peasants working individually	67.6	66.3
of which those with land up to 2 ha.	14.4	7.6
From 2 to 5 ha.	26.5	20.4
" 5 to 10 "	18.9	26.8
" 10 to 14 "	4.8	7.5
Above 14	3.0	4.0
5. Peasants—members of co-operative farms	..	1.5
6. Workers on state farms	..	3.4
7. Others	20.3	26.9

The land reform and planned economy created favourable conditions for the development of agriculture, eliminating a number of difficulties weighing heavily on individual peasant farms. The peasant is no longer threatened by the disaster of crises, price fluctuations and poor sales organisation. In the past the peasant used to throw big amounts of grain on the market immediately after the harvest. This caused a rapid and considerable drop in prices.

The low income derived from agriculture hampered investments, purchase of machinery and implements as well as the construction of buildings. The entire structure of production was lop-sided. The peasants produced above all grain constituting more than half of the total value of all the crops, animal production was relatively weak in development. This was due greatly to the primitive farming economy. Interesting is the fact that despite the predominance of grain production, it was barely sufficient to satisfy the requirements of the home market.

In the new situation, these conditions underwent a radical change. The enormous development of industrialisation in 1931—60.6 per cent of the total employed people worked in agriculture, as against 45.75 per cent in 1950—created an exceptionally absorptive labour market enabling people who could not find full time employment in the countryside to procure jobs in the towns. This led to truly revolutionary changes in the countryside. The flow of people from the villages took on dimensions heretofore unknown. The expansion of towns and the upsurge in industry opened up vast new sales markets for agriculture. The term overproduction has ceased to exist.

The farmers were granted far-reaching assistance by the state in the form of credits, fodder seed, pedigreed stock, machinery, and so on.

The State, of course, did not succeed in removing all the difficulties that hinder the full development of agriculture. The degree of backwardness was too great to eliminate with one stroke. In addition, Polish people had the gigantic task of husbanding the regained territories, an undertaking unprecedented in history. Therefore one cannot deny the fact that there are still great difficulties to be overcome in the sphere of agricultural production and that its rate of development was not as rapid and steady as that of industry, particularly heavy industry.

The utilisation of artificial fertilisers per one hectare of land under cultivation has increased as follows:

1928	.. ..	12.6 Kilograms
1929	.. ..	13 "
1930	.. ..	7.1 "
1945-46	.. ..	13 "
1950-51	.. ..	24.5 "
1951-52	.. ..	28 "

In other words, the amount in 1951-52 was twice that of 1928. There has also been a marked improvement in supplying farms with selected seed grains. Medical aid and prophylactic measures have been expanded in the veterinary services.

The training of technical personnel for agriculture and raising of the level of qualification of farmers has been organised and broadened. Whereas before the war there were about 30 agricultural schools (two and four-year courses) with about 2,000 students, today there are 175 such schools attended by over 20,000 students. The latest farming methods are being popularised in the countryside through a broad programme of lectures, excursions and exhibitions.

The mechanisation of agriculture realised after the war constitute a great achievement especially if one takes into consideration the backwardness in that respect before 1939. The number of tractors increased by 43 per cent by 1953 as compared with 1950. In 1950, there were barely 84 combines used in Polish agriculture, at present this number has grown to 1,000. In the past four years the number of sheaf binders in the State Machine centres multiplied fivefold. During 1949-53 melioration embraced 220,000 ha. of meadows, and the condition of 400,000 ha. of meadows was improved, resulting in an increase in the hay crop by 13 per cent or 800,000 tons.

Small peasant farms cannot constitute the foundation of agriculture. Despite improved conditions in the development of the peasant economy, fundamentally it is not capable of carrying out the tasks which are faced by agriculture in an industrialised country. In such a country the percentage of the agrarian population should not surpass 20 per cent. Small farms are not capable of either becoming properly mechanised or benefiting from scientific achievements. It makes no sense to have backward methods of production in the villages while industry has the most up-to-date techniques. A backward, primitive agriculture cannot adequately supply the quantity and quality of products which the growing urban areas of the country require and nor can it satisfy the increasing needs of industry in regard to agricultural raw materials. The process of modernising agriculture cannot be left to spontaneity; such a process would last too long and be too haphazard. The only way of solving this very basic question is, on the one hand, to leave a certain number of large farms as property of the state to be used as model and experimental farms, and on the other hand, to create the co-operative form of farming that would make it possible to step up the use of modern machinery and scientific methods of agriculture.

In order to fulfil the above goals part of the land was left as state farms. The area of land under cultivation on the state farms was.

1928	.. ..	12.6 Kilograms
1929	.. ..	13 "
1930	.. ..	7.1 "
1945-46	.. ..	13 "
1950-51	.. ..	24.5 "
1951-52	.. ..	28 "

The year 1949 saw the beginnings of co-operative farms in the villages, uniting middle and small-holding peasants. On the whole, co-operative farms yield bigger crops than individual peasant farms, as the following yields of cereals—in quintals—from one hectare of arable land show:

	1950	1952
1. Co-operative farms	.. 14.5	15.1
2. Peasant farms	.. 12.4	12.6

The contracting system is of great help to agriculture. It is based on the state making an agreement with the farmers regarding their delivery of specific products, assuring them of attractive price. The system of contracting applies in particular to industrial crops like sugar beets, chicory, flax and hemp, oleaginous plants, tobacco, vegetables and live-stock. The system of contracting enables the farmer to raise his level of production and to utilise all potentialities. Contracting includes individual farms as well as co-operatives. After having fulfilled their obligations to the state in regard to the prescribed quotas of certain products, the farmers have complete freedom to dispose of their produce.

Four different types of co-operative farms exist in Poland. The joining of a co-operative and the type of co-operative established are entirely voluntary. The simplest form is the "Co-operative for land cultivation", which unites the peasants only for such operations on the land as spring and autumn ploughing or ploughing and sowing. In the "Agricultural Co-operative Society" they combine all their land for the period they belong to the co-operative. Farming is done collectively though the member retains title to his own land and has a right to hand it down to his heirs. A garden plot of about one hectare is allowed for personal use. Higher forms of co-operative farms are the agricultural producers' co-operatives, and the Agricultural Co-operative Union. Here the members bring to the Co-operative all their land, the arable and the fallow, with the exception of the garden plot. Besides this, they transfer to a joint pool all farm property—horses, carts, machines, mowers, reapers, ploughs, harrows as also live-stock, with some exceptions. A certain number of cattle can be raised by the member on his plot. Large buildings not needed by the members also can be turned over to the co-operative farm. A monetary remuneration for the contribution is given to the member in case he wishes to leave the co-operative. As a rule, the payment is made either in kind or in cash.

Thus, the co-operative farms differ by the degree of joint ownership of the means of production and rights to benefit from the income of the co-operatives. Details concerning the income are thoroughly regulated by the statutes of the co-operative farms. In the higher types of co-operative farms not less than 70 per cent of the income is divided among the members, depending on the amount of land, property and work contributed.

The Business World

RATIONALE OF NEW ISSUES

By

CROESUS

THE terms of offer of the new equity issues that are being made by private companies which are converting themselves into public limited companies, especially the foreign ones, have come in for strong criticism at the hands of some students of the capital market. Whenever a new issue is made, especially by foreign companies which seek to throw their shares open to the Indian public, the premium that the Controller of Capital Issues seems prepared to allow, according to these students, is hopelessly inadequate. For, it is argued, that, if, in the case of a well-known company, shares are issued at a nominal premium, these are liable to be cornered by speculators who would sell them to genuine investors at a later date and pocket in the process a handsome profit for which they have no moral right, because they have not exerted in the least to earn it. Secondly, it has been contended, companies desirous of raising new capital would stand to benefit more if they are allowed to do so by issuing new shares at a higher premium than the authorities would seem to be prepared to allow at present. This would be helpful to the companies concerned to finance their expansion programmes.

But, as against this, there is a school which holds that, if these companies, which are in a position to attract new capital, because of their reputation, long-standing and association with reputed firms abroad, are allowed to take away all the available capital in the market, very little would be left for other companies, which are smaller in size and, perhaps, not equally well-known, to get capital for purposes of their expansion when they enter the market. But this is met by those who would like new issues, especially by foreign companies, to be made at higher premiums by saying that, if this is all the intention, Government might very well ask the companies concerned to issue fewer shares so that the total amount that they absorb from the capital market might not be more than what

they would take by keeping the premium at a lower level as at present. There is yet another objection that is suggested in certain quarters to the issue of shares at a heavy premium. This school argues that, if shares are offered at heavy premiums, investors of moderate means would be hard put to it to go in for such shares. But the answer of those in favour of heavy premiums to this argument is that it is perhaps much better that investors should go in for original shares even if at a heavier premium rather than purchase them in the market later from speculators who buy these shares at a nominal premium and sell them to investors eventually and make an unconscionable profit in the process.

In the context of this discussion it would be worth while asking the authorities the precise reasons which prompt them to insist on private limited companies converting themselves into public limited companies, especially foreign ones, issuing new shares at only nominal premium. Perhaps their answer might be that they would thereby be enabling more Indians to acquire interest in foreign established concerns and that, if the shares issued by foreign established concerns were issued at a very heavy premium, many Indians might not find it possible to go in for them. But this explanation does not carry conviction, inasmuch as the class of people who invest their money in equities are after all a limited circle who go in for these investments mainly on considerations of return. As for institutional investors, the extent of the premium to be paid cannot be very much a deterrent factor, because they do not suffer from lack of funds to the same extent as do individuals. Unless, therefore, there is some other strong reason which the authorities have in arriving at the decisions they have so far taken, and which they do not want to disclose, it seems desirable that the whole question of the terms on which new shares are allowed to be issued should be reconsidered.

OUTLOOK FOR SHIPPING

THE outlook for Indian shipping during the next five years, as it has emerged from recent official pronouncements, has depressed legitimate aspirations of a bold programme of expansion. In fact, even the so-called ambitious programme prepared by the Study Group, appointed by the Consultative Committee of Shipowners, pitched the target for the expansion of Indian-owned tonnage at the moderate figure of 1,000,000 GRT, or half of what was suggested as the minimum by the Shipping Policy Sub-Committee for achievement in 1954. On the assumption that the target of 600,000 GRT prescribed for the current Plan would be fulfilled according to schedule, the Study Group's Plan of an additional 430,000 GRT in the second Plan was expected to advance the Indian tonnage to 1 million GRT. With an actual shortfall of 120,000 GRT at the present time, the assumption of reaching 600,000 GRT three months hence cannot be sustained. The modest addition of 430,000 GRT during the next five years has been pruned by the Planning Commission to 300,000 GRT. This drastic reduction coupled with the shortfall in the present Plan, is a clear pointer that the modest ambition of Indian shipping to acquire 50 per cent share in the adjacent trade and 20 per cent share in the distant trade five years from now, must be

deferred for some more period. It is problematic whether any extra allocations of outlay for shipping will be made at a subsequent stage in addition to the contemplated investment of Rs. 60 crores in the next Plan.

Of much greater importance in the immediate context than the projected modest growth of the size of Indian tonnage is the obstinate problem of labour relations which has assumed grave dimensions in the shipping industry. Sir A. Ramaswami Mudaliar, in his presidential address at the last annual general meeting of the shareholders of the India Steamship Company, has uttered a frank but timely warning that all plans for the development of shipping will prove worth little in execution unless employer-employee relations are put on a healthier basis, ensuring a real sense of responsibility. The scant regard shown by labour to its obligations arising out of settlement of trade disputes at various levels clearly indicates the type of influence which sways it in its attitudes. The most urgent need of the time, therefore, is to encourage and develop a correct and responsible pattern of leadership. The crisis of port delays which gripped the industry last year was the result of a combination of factors, but it can hardly be disputed that a major

factor was the policy adopted by a weighty section of trade union leadership to encourage go-slow to spread employment over a large number of workers. In this particular year, it was not labour at the Indian ports alone which involved shipping companies in considerable hardships and loss. But the striking deterioration in the turn-round of ships and its effect on their financial operations underline the urgent necessity of taking appropriate measures for rectifying the situation.

The results of the working of Indian shipping companies published in recent weeks demonstrate the counterbalancing effect of higher operating costs in offsetting the larger gross earnings registered last year with favourable volumes of cargo. While it would be certainly unrealistic to ignore the impact of other causes on the inflated costs, the liability which the labour component bears has now been realised and this realisation is implicit in the appointment of the Vasisht Committee to investigate the whole problem of port labour to suggest specific remedies to restore healthy conditions on a normal basis. Virtually all the recommendations of this Committee have been endorsed by the Government and it is only logical to expect that at least the major ones among them must be implemented without hesitation or avoidable delay. Dock labour has posed a problem of control everywhere, but precisely because it touches a strategic and vulnerable point in the economy it needs firm handling once fair and equitable terms of employment are offered. The establish-

ment of statutory seamen's employment offices in Bombay and Calcutta, providing insurance against the traditional malpractices in recruitment, and the projected creation of the National Welfare Board for Seamen, constitute convincing proofs of guaranteeing equitable treatment to labour. But any outlay involved in rationalised conditions of employment ought to be reflected in higher productivity. The Committee's recommendation to resolve recurring deadlocks at the ports by investing Chairmen of Dock Labour Boards with emergency powers deserves early implementation and the experiment of conferring such authority on the Chairman of the Calcutta Port Trust argues for the course suggested. The Committee has come out with a forthright solution for the difficult issue of labour costs and urged the introduction of piece-rates for stevedore labour and as a corollary to port labour as well. On these two vital issues of reform, action should not now be delayed in view of the absence of any divergence of opinion particularly at the official level.

A more optimistic prospect for Indian shipping requires a revision of the policy for the coastal trade, where pressure of cargo has created problems of shortage of Indian-owned tonnage, a vindication of the claim of Indian companies for membership of conference lines and a greater share in the transport of cargo on government account. But any dynamic policy for shipping ought to be first realistic and realism is surely needed with a sense of urgency in relations with labour.

BUSINESS NOTES

A PANICKY DECISION

AS WAS expected. Sir Purshotamdas Thakurdas, President of the East India Cotton Association, Bombay, (EICA) dwelt mainly on recent Government action asking the Association to suspend hedge trading for a period of seven days and the implications thereof. Since Sir Purshotamdas made the speech, Government have extended the period of suspension by a further seven days, and it is not clear to anybody, including perhaps even the Government officials concerned, as to what is going to happen next. Meanwhile, the EICA President has pointed out in very clear terms that the Government action was thoroughly unwarranted.

In the course of his address, Sir Purshotamdas pointed out that it is an exaggeration to say that prices rose during the last five weeks by Rs. 140, as Government have alleged, and that prices have been artificially rigged up to the present level due to heavy speculation and option dealings. In the considered opinion of this veteran spokesman of Indian Cotton Trade, Government "appear to ignore the realities behind the present price level, namely, (1) high price realised for cloth by the Indian mills, (2) change in the structure of contract from 25-11/32" to 13/16", (3) amendment of by-law 55 which lays down rather rigidly the manner of fixing tendering differences, (4) damage to the quality of the crop—particularly of the Jarilla cotton which forms the basis of the Contract—and (5) reduction in the size of the crop."

Obviously Government, it would seem, did not take all these factors into consideration and were merely guided by one imaginary factor, namely, undue speculation. It is significant that Sir Purshotamdas did not deny option dealings; at the same time, pointed out that, in the circumstances that prevailed, it was possible to exaggerate the influence of this factor and also that it was difficult for any one, including the EICA Board, to stop option deals altogether in the absence of a method of securing reliable proof of such business. The authorities, however, seem to believe that the Board can stop dealings in option, but the very fact that such transactions have continued, despite the knowledge that options are illegal and also despite the warning of the EICA authorities from time to time, should be an eye-opener to them.

It is difficult, as the EICA chief remarked, to understand the anxiety of the Government to intervene when the price of the Indian Cotton Contract was still over Rs. 100 below the ceiling price fixed by Government themselves. There was no need for them to apprehend—granting that there was excessive speculation and option dealings—that the cotton price would pierce the ceiling. For there are definite provisions in the by-laws of the EICA as Sir Purshotamdas reminded the authorities, which make possibilities of the Contract reaching even a level near the ceiling a most difficult event. Thus, the by-laws provide that, when the price of ICC reaches the marginal line, i.e., when it falls either below Rs. 25, above the floor price (Rs. 540) or rises above Rs. 25, below the ceiling price (Rs. 815), members are required to deposit with the Clearing House on their outstanding sales or purchases an amount calculated at Rs. 70 per candy. This amount, it should be noted, has to remain with the Association without interest until the last day of the delivery period of the Contract. The EICA authorities were, therefore, well within their rules and also fully justified in refusing to get panicky as Government did and to take action with a view to preventing prices from rising above Rs. 700 as Government wanted.

There is yet another point which exposes the undue alarm raised by the Government in regard to this matter:

It relates to the level of prices in the spot cotton market. As Sir Purshotamdas stated, when the spot price of the basic cotton is over Rs. 800, i.e., Rs. 65 above the ruling rate of the Contract, and prices in the primary markets also are ruling still higher, it cannot certainly be contended that the ICC, at Rs. 737, is ruling so high as to go out of hands, as Government thought. Even with regard to Government's facts, the EICC Chief quoted figures which go to show that Government's action in the matter ill fits with actual facts and figures.

Finally, there are two specific counts on which Government's decision in regard to this matter must be considered as untenable. In the first place, after having fixed a ceiling of Rs. 840, it was unwise on the part of the authorities to have intervened and suspended trading when the ICC touched only Rs. 737, i.e. Rs. 103 below the ceiling. This only means that Government have one official level for outward purposes which may be described as, say, a "notional ceiling," and another which, to all intents and purposes is the "effective ceiling." Secondly, Government action in this particular instance carries with it the risk of setting a bad precedent of interference in the normal working of the market which is likely to lead to uncertainties in the trade and to impair public confidence in the working of the forward market.

A PROGRESSIVE IMPORT POLICY

THE IMPORT policy for January-June 1956 which was announced last week-end accords with the expectations of trade and industry. If it cannot claim any striking departure from the policy in force in the recent past, its emphasis on industrial imports cannot be missed. The current import period's budget provides for Rs. 360 crores—an excess of Rs. 40 crores above the provision for the first half of 1955—while a saving of Rs. 35 crores is available in food imports. The bulk of this volume of foreign exchange, of the order of Rs. 75 crores will be available mainly for imports of plant and machinery, whose share in total imports has been steadily rising in the last two years. Imports of raw materials required mostly by industry are likewise rising and the new policy takes cognizance of their higher claim. Small-scale industries which are now facing up to a new situation of greater responsibility have been amply safeguarded and, in proved cases where their output justifies such a course, restrictions have been imposed on corresponding imports. Imported materials or equipment required by them are allotted higher quotas.

A word of appreciation is certainly due to the licensing policy which has provided for greater accommodation to industry, large as well as small-scale, without making drastic inroads on the requirements of consumer or non-essential goods. For the present no austerity in the standards of their consumption is contemplated. The hard currency position poses no difficulties and it is because of this aspect that certain licences for soft currency imports will be validated for hard currency areas. The extent to which this facility will be used depends upon the price factor. The extension of the basic period to include the year 1954-55 in respect of 135 items is recognized as a further measure of liberalisation. The one plank of import policy which has invited critical attention is the extension of the system of bulk import and distribution through nominated channels to three new items, caustic soda, sodium carbonate and raw rubber.

BANK EMPLOYEES' AGITATION

THERE CANNOT be an iota of doubt that the recent agitation started by a large section of bank employees in

Now!

The McGraw-Hill AMERICAN LETTER

Presents a New Indian Airmail Edition!

Now, you can have the new Indian Edition of the McGraw-Hill AMERICAN LETTER—one of the world's foremost business news services—airmailed to you from New York every second Friday.

Every fortnight it can tell you of new opportunities for selling your products in world markets—of new sources of supply for the commodities you buy abroad—of credit and monetary trends that can affect your business, and you. Also, in every issue you will find brief descriptions of new product and special reports issued by U.S. financial and industrial organizations—reprints of which are available free to subscribers.

Subscription price is only Rs. 156/12/0 per year. For further information, or to have a staff representative call, write to:

McGraw-Hill PUBLISHING COMPANY,

"Corinthian" D-1,

Colaba, Bombay-5.

the form of token strikes and demonstrations against the implementation of certain provisions of the Industrial Disputes (Banking Companies) Decision Act, 1955, is illegal. But apart from its patent illegality, the action in which bank employees have taken the licence to indulge shows complete lack of any sense of responsibility. The history of this unfortunate and long-drawn-out dispute does not need to be recalled, but it needs to be emphasized that no industrial dispute has received such sympathetic, patient and most careful consideration since independence as this dispute.

The agitation becomes still more indefensible in the context of the liberal attitude adopted by the Indian Banks Association and the Exchange Banks' Association, in full concurrence with the State Bank of India, in giving liberal and modified application to the provisions of the Act affecting employees' emoluments. Briefly the modification are that certain concessions will be allowed to employees in the matter of deductions, on account of previous payments of dearness allowance and increments, from the temporary adjustable allowance; arrears of emoluments will be paid in one lump sum instead of in three instalments and no recovery will be made of excess payments made by way of dearness allowance during the period July to November 1955. This gesture of goodwill has been inspired by a desire to show accommodation for co-operation and it deserves to be reciprocated without any mental reservations.

It is to be trusted that even at this stage, when the agitation has been allowed to take an ugly form in certain areas, employees from the remaining areas will desist from taking part in it and will pay heed to the Prime Minister's appeal in this behalf even if rather belatedly. As he has forcefully pointed out, the most disturbing aspect of the action of bank employees in this situation is that it strikes at the root of the system of adjudication in industrial disputes. It rests wholly in their hands to avoid totally unwarranted consequences which are likely to cause hardship.

HINDUSTHAN CO-OPERATIVE'S NEW PEAK

AN OUTSTANDING feature of the working of the Hindusthan Co-operative Insurance Society during the calendar year 1954 was the fresh peak which it achieved in new business of the order of Rs. 30.44 crores. It represents a remarkable excess over the previous year's all-time high of Rs. 18.89 crores. A significant factor which should enter into the assessment of this achievement is the fact that Hindusthan Co-operative was among the few insurers which refused to enter the mad race for rate-cutting. Consequently, its record level of 1954 shows genuine new business written and not an inflated volume due essentially to conversion operations. The life insurance fund at the end of 1954 stood at Rs. 25.19 crores—an increase of Rs. 2.73 crores above 1953. The renewal expense ratio showed an improvement from 14.56 per cent to 14.36 per cent in a difficult period for the industry. The investment portfolio shows investment in government and approved securities at a ratio of 69.90 per cent. Unrestricted investments are carefully spread over the conventional heads.

Dr. N. N. Law's presidential speech at the last annual general meeting of the company makes an interesting point about the ground prepared, after a period of costly and intensive salesmanship, for the spread of the insurance habit in the non-urban areas. The recession in agricultural prices during this particular year presented certain handicaps for the business to which should be added the deterioration in the over-all unemployment situation. These particular handicaps apart, it is encouraging to know that insurance is taking root where it is badly needed but was not assiduously sown. On a long-range view, insurance like all other industries and businesses has reason to feel confident about its future in a planned expansion of the economy. So, the demoralising effect of oft-repeated threats of nationalisation cannot be ignored and the insurance

industry is surely entitled to an unequivocal statement of policy from the Government disclaiming a course which is sure to result in a set-back to progress.

THE NATIONAL CARBON CO. (INDIA) LTD.

THE NATIONAL CARBON COMPANY (INDIA) LTD., which was converted into a public company on 23rd December, 1955, has come out with an offer of new issue of shares. The objects of this issue are to throw open the door for participation of Indian capital and to provide additional capital for expanding the company's business. The authorised share capital of the company is Rs. 2,50,00,000 divided into 25,00,000 shares of Rs. 10 each, while the issued, subscribed and paid-up capital is Rs. 1,60,00,000 divided into 16,00,000 ordinary shares of Rs. 10 each. There are no debentures or loan capital in any other form.

The present issue consists of 4,00,000 ordinary shares of Rs. 10 each fully paid at Rs. 19 As. 8 per share payable in full on application. An offer for sale in respect of 4,00,000 ordinary shares of the company of Rs. 10 each at Rs. 19 As. 8 per share was made by the company's principal shareholder, Union Carbide and Carbon Corporation, on the day of the issue of the prospectus. An important condition governing applications for shares is that they must be for 50 shares, or for multiples of 50 shares, on the official form. Production of high quality alloy zinc strip, flashlight cases as well as chemicals and plastic raw materials are included in the expansion projects. The outlook for the company's business and all other essential particulars, including financial features are set out with clarity in the prospectus of the company, which appears elsewhere in this issue.

EXCISE DUTY ON RAYON

THE REVISED scales of excise duty on the art silk industry have been severely criticised by Mr. D. N. Shroff, Chairman of the Silk and Art Silk Mills' Association, Bombay. The new scales of duty are on a loom shift basis, viz., Rs. 22-8 per loom per month for the first shift, Rs. 15 for the second shift and Rs. 11-4 for the third shift. Till December 31, 1955, a compounded levy at the rate of Rs. 22-8 per loom per month with the exemption of the first 24 looms of all units, was in force. It may be remembered that, when the excise duty on art silk fabrics was first introduced last time, the Association had protested to the Government and the duty was later reduced from 1½ annas to ½ anna per square yard and a cess of 3 pies making a total duty of 9 pies per square yard.

It is feared that the new impost will induce several units to reduce to one shift and thus adversely affect production. Besides, the revised rates would give rise to a curious situation in which art silk units having only 24 looms would not pay any duty, while those having even 25 looms would have to pay a heavy duty. This virtually amounts to penalising those who are trying to run more shifts and increase output, in that the units having a few looms more than the stipulated 24 face unfair competition from mills having 24 looms or less.

It is estimated that the total incidence of the impost on member-mills of the Silk and Art Silk Mills' Association (with 80 per cent of the total active loomage of the industry) would be about Rs. 54 lakhs, which represents an increase of as much as 76 per cent over the amount paid in 1955! The rayon industry's profits have been comparatively low, and whereas it made a loss of 1.42 per cent on the capital employed in 1953, profits in 1954 were only 1.16 per cent. It is felt that the working of the industry in 1955 cannot be much better, as prices of art silk have moved down by five to ten per cent against an increase of seven to eight per cent in the prices of art yarn. In the present circumstances, it is unlikely that the production target of 350 million yards can be attained against the present output of 240 million yards.

COMPANY AFFAIRS

THE DELHI CLOTH AND GENERAL MILLS CO., LTD. DELHI

The Profit and Loss Account of the Company for the year ending June 30, 1955, shows that the profits for the year after providing for taxation, depreciation, etc., amount to Rs. 76,41,278, which, with the balance of Rs. 1,69,241 brought forward from the preceding year makes a total of Rs. 78,10,519. It is proposed that a sum of Rs. 10,00,000 be transferred to Debenture Redemption Fund, leaving a balance of Rs. 68,10,519. It is recommended that this sum of Rs. 68,10,519 be disposed of as under:

Dividend on Ordinary shares of the face value of Rs. 25 each @ Rs. 2-4 per share, free of Income-tax	Rs. 30,45,260
Proportionate Dividend on Ordinary Shares of the face value of Rs. 2-8 each, free of Income-tax	9,050
Dividend on 1st and 2nd Cumulative Preference Shares of the face value of Rs. 25 each at 4½ per cent free of Income-tax	90,000
Dividend on 3rd Cumulative Preference Shares of the face value of Rs. 25 each @ 4 per cent free of Income-tax	76,450
Dividend provision on 4th Cumulative Preference Shares of the face value of Rs. 25 each (Rs. 10 paid) @ 5 per cent free of Income-tax	7,000
Reserve for Renewals	35,00,000
Balance to be carried forward	82,759

The proposals for augmenting the resources of the Company to meet capital expenditure, approved in the last meeting, have been given effect to as under:

- The Debentures for Rs. 1 crore bearing interest @ 5½ per cent, repayable between 1962/66 were issued.
- The balance of uncalled capital of Rs. 15 per share on 1,50,000, Third Cumulative Preference Shares, the rate of Dividend on which has been increased from 2½ per cent to 4 per cent as from 1-7-1954, was called up.
- 1,20,000 Fourth Cumulative Preference Shares bearing dividend at 5 per cent were issued during the year. These shares have been fully subscribed and allotted, except a small number of shares which are reserved for allotment to Pakistan Nationals who have applied for them and in respect whereof application has been made to the Reserve Bank of India for permission to allot the shares.

In the Swatantra Bharat Mills, unfortunately, there was labour unrest, and there was no working for over a month. The working of Daurala and Mawana Sugar Factories was quite satisfactory. Efforts are being made to improve and modernise both the factories. The crushing capacity of Mawana has been increased from 1,000 to 1,400 tons of cane per day. The working of the Distillery was quite satisfactory, but the position of Confectionery continued to be unsatisfactory. Chemi-

cal Works continue to work satisfactorily. The capacity of the Caustic Soda Plant is being increased from 11 tons per day and it is now proposed to increase the Sulphuric Acid Plant capacity from 20 to 50 tons per day. The work of Vanaspati has been very erratic. Very often the prices of Vanaspati are much below the cost of production, and it has unfortunately no relation with the prices of raw material. Sometimes there is a small margin. The Tent Factory's working was normal. The Garment Factory has been shifted to the Industrial Area and Modern machinery has been installed. The working, however, is still unsatisfactory. The Hissar Textile Mills started production from October 24, 1955. For the present, it has only Spinning Plant. Efforts are, however, being made to start weaving, provided sanction of the Government is available. The Silk Plant has been installed in the Industrial Area, Delhi, and will go into production shortly.

THE PREMIER AUTOMOBILES LTD.

The working of the Premier Automobiles Ltd., during the year ended June 30, 1955, has resulted in a profit of Rs. 27,31,274 after providing Rs. 30,00,000 for depreciation. After deducting last year's debit balance of Rs. 13,44,485 and providing Rs. 8,00,072 for deferred taxation and sundry expenses, there is a credit balance of Rs. 5,86,717 which Directors recommend to be carried forward.

It may be recalled that the manufacture of engine and transmission for Chrysler group vehicles was started last year itself. This year the Company has taken on manufacture of transmission, chassis frames and cross members. Production of engine for heavier petrol trucks and cars has been progressing satisfactorily so that these engines are no longer imported from the U.S.A. During the short period of 12 months, thus, it is noteworthy that much progress in the manufacture of components as per programme has been made, and further manufacture of additional components has also been taken in hand.

Since Fiat 1,100 cars have gained considerable popularity, orders for machinery and equipment required for the manufacture of Fiat engines are being placed and their manufacture is expected to begin in 1956. For buying additional machinery for the manufacture of Fiat cars, negotiations are in progress with the Industrial Finance Corporation of India for a further loan of Rs. 50,00,000 against the security of issue of debentures and mortgage of the fixed assets of the Company.

During the year under review the Chairman of the Company and the General Manager visited the U.S.A. for negotiating an agreement with Messrs. Rockwell Spring and Axle Co. for the manufacture of tinker axles in India for motor vehicles. Consequently manufacture of these axles too will start next year.

The summarised balance-sheet of the Company for 1954-55 is given below. (All figures are in lakhs of rupees).

Capital and Liabilities					Property and Assets				
Capital	Borrowings and Deposits	Reserves	Other Liabilities	Profit and Loss A/c	Total	Fixed Capital	Stores and Stocks	Debt, Advances Etc.	Other Balances
217.02	249.96	135.74	482.31	5.87	690.90	287.33	292.85	109.82	0.88

COMMODITY NEWS AND NOTES

REVIEW OF INTERNATIONAL SUGAR PACT

The International Sugar Council which concluded its meetings in London last month has decided to ask the United Nations to call a conference in 1956 to review the existing International Sugar Agreement. It is understood that one object of the review is to permit examination of the possibility of extending the membership of the pact. The Sugar Council also considered an estimate of free market sugar requirements for next year. The estimate, prepared by the Council's Statistical Committee, puts free-market requirements at 4,520,000 metric tons. Ceylon is shown as requiring 140,000 metric tons and Pakistan 125,000 metric tons. Besides estimating requirements, the International Sugar Council gave an estimate of the amount of sugar likely to be available from non-participating countries. The Council decided on a 10 per cent cut in basic export tonnages and fixed initial export quotas for next year at a total of 3,996 metric tons.

INCREASE IN WORLD OIL PRODUCTION

World oil production reached a new high level of 785 million metric tons (including national gasoline) in 1955. This represented an increase of 76 million tons, or over ten per cent on last year's output of 709 million tons. The U.S.A. remained by far the largest producer, with an estimated 357 million tons, (338 million in 1954) and second was again Venezuela—the world's leading oil exporter—with production estimated at 111 million tons, against 99 million tons last year. Third came the Soviet Union according to official Russian estimates. Russia produced 70 million tons this year against 54 million in 1954—an increase of over 20 per cent, attributed to rapid developments in the Volga-Ural region. Middle East Countries together supplied about 162 million tons. Within this area, the leading producers were Kuwait, with 55 million, Saudi Arabia with just under 47 million, Iraq with nearly 34 million and Iran with 16 million. Canada led Commonwealth producers with 17 million tons. Next came British Borneo, with nearly 5½ million and Trinidad with 3½ million.

REDUCTION IN TEA EXPORT DUTY

The Government of India have issued a notification fixing the price of tea, for the purpose of determining the export duty, at Rs. 3-1-5 per lb. as against Rs. 3-4-5 per lb. in force from December 1, 1955. The export duty at this price will be annas 6 per lb. as against annas eight in force hitherto.

COMPULSORY GRADING OF LEMON GRASS OIL

A new scheme for compulsory grading and marking of lemon grass oil, according to Agmark grades, will come into operation with the New Year. The specifications notified in the provisions of the Agricultural Produce (Grading and Marking) Act, 1937, have been evolved in Consultation with the Indian Standards Institution for trade interests in India and abroad. Exports of lemon grass oil will henceforward be allowed from India only under the Agmark grading certificate issued by the Essential Oils Grading Laboratory. A laboratory for testing samples of lemon grass oil and other essential oils for grading has been set up and has started functioning in the Wharf area of Cochin Port. The specific mention in the grading certificate of the percentage of citral, which is an essential constituent of the oil, will ensure better prices for the superior grade of lemon grass oil.

COTTON FUTURES BAN

The Government of India last week directed the East India Cotton Association, Bombay, to suspend its business in Indian Cotton Contracts for a further period of seven days, ending on January 6, according to a Press Note of the Ministry of Commerce and Industry.

An earlier notification, issued on December 23, asking the Association to suspend business expired on 30th December. The Press note said the Government had under consideration measures to be taken to arrest the deterioration in the Cotton Market. In the meantime, it had decided to direct the Association to suspend its business for a further period of seven days.

FINAL POTATO ESTIMATE

The All-India Final estimate of potatoes for 1954-55 puts the area and production at 665,900 acres and 1,762,000 tons, as against the partially revised estimate of 635,000 acres and 1,924,000 tons for 1953-54. This shows an increase of 4.7 per cent in area and a decrease of 8.4 per cent in production over 1953-54. The increase in area has been shared by all the States except Madras, Mysore and Himachal Pradesh and has been attributed to favourable climatic conditions at the sowing time. Despite increase in area, production has recorded considerable decline. The decline in production has been mostly accounted for by decreases recorded in Bihar and West Bengal due to unfavourable weather conditions during the growing period of the crops.

U.S. COTTON STANDARDS

The U.S. Agriculture Department announced recently that it was proposing "slight changes" in the official cotton standards for the length of staple of upland United States Cotton. The primary purpose of the proposed amendment of regulations governing official Cotton standards for length of staple is to delete the staple length designations "below 1" and "1" and make the shortest staple length designations for normal cotton "below 13/16", according to an announcement of the Department. It is also proposed to change the official staple for upland cotton in the lengths of 1-9/32", 1-11/32" and 1½" from physical to descriptive standards. The production of upland cotton in these lengths in 1954 was insignificant. Physical standards for the lengths 1-5/16" and 1½" and descriptive standards longer than 1½" will be adequate for classification.

PRODUCTION OF TEA

The following statement would show the tea crops of major producing areas:

Month	1955	1954
	(In million lbs.)	
North India November	62.2	52.0
South India October	14.2	13.1
Pakistan October	8.2	7.9
Ceylon October	34.0	24.9
Indonesia September	7.3	9.2
North India April-November	518	502
South India January-October	110	108
Pakistan April-October	41	46
Ceylon January-October	319	301
Indonesia January-September	71	76

RUBBER OUTPUT IN MALAYA

Due to heavy rains, particularly in South Johor, rubber production in the Federation of Malaya in November, 1955, was 51,917 tons, a drop of 5 per cent, on October. Despite this fall, production during the first eleven months of this year is running at 8 per cent higher than the corresponding period of last year. From January to November 571,318 tons were produced as compared with 528,514 tons over 11 months of 1954, and 583,036 tons for the whole of that year. As a result of the incentive of a higher price this is biggest output since 1950. November's crop was the seventh lowest month this year with estates dropping 1.7 per cent to 30,174 tons and small holders falling 8.8 per cent to 21,743 tons.

RESERVE BANK OF INDIA

Applications are invited for the following posts in the various

Departments of the Reserve Bank of India:

A Posts and Scales of Pay:

- 1) Research Officer, Department of Research and Statistics.)
Rs. 375-55-815 E.B. 55-925-60-1045.
- 2) Assistant Accountant, Department of Banking Development.)
Rs. 250-25-450 E.B. 25-650.
- 3) Rural Credit Officers, Agricultural Credit Department.)
Rs. 175-12½-300 E.B. 20-440.
- 4) Probationary Assistants, Department of Banking Development/Agricultural Credit Department.)
Rs. 175-12½-300 E.B. 20-440.
- 5) Economic Assistants.)

Note: Candidates possessing exceptionally good qualifications and experience may be given a higher starting salary in the prescribed scales.

B Additions to pay:

- (1) Local Pay: 10 per cent of pay with a minimum of Rs. 10 per mensem rounded up to next higher complete rupee to the staff working at Bombay, Calcutta, Madras, Delhi, Kanpur and Ahmedabad.
- (2) House Rent Allowance: Research Officer, As-) 15 per cent of pay with a minimum of Rs. 60 and a Rural Credit Officers) maximum of Rs. 300 per mensem.

Probationary Assistants) 10 per cent of pay with a maximum of Rs. 50 per mensem.

Economic Assistants 10 per cent of pay with a maximum of Rs. 20 per mensem for pay up to Rs. 400 per mensem and thereafter at Rs. 25 per mensem for pay up to Rs. 500 while stationed in Bombay or Calcutta.

- (3) Dearness Allowance: At prescribed rates. Research Officer, As-) The present rate is 16-2/3 per cent of pay with a Rural Credit Officers.) maximum of Rs. 125 p.m.

Probationary Assistants Rs. 65 per mensem for pay (including local pay) up to Rs. 300 per mensem.

Economic Assistants Rs. 50 per mensem for pay (including local pay) up to Rs. 200 per mensem.

(The rate of Dearness Allowance is subject to revision from time to time).

C Age limit as on 1st January, 1956:

Research Officer, As-) Candidates should not be over 30 years of age.
Assistant Accountant,)
Rural Credit Officers.)

Probationary Assistants Candidates should not ordinarily be over 24 years of age except in regard to the posts of Probationary Assistants in Legal Division where the age limit would be extended up to 30 years.

Economic Assistants Candidates should not ordinarily be over 24 years of age.

The maximum age limit may be extended but not beyond 30 years, in the case of

- (i) candidates with approved war service,
- (ii) ex-employees of Banking Institutions whose services have had to be terminated for reasons of economy or as consequence of the closure of unremunerative branches or as a result of the Banks going into liquidation,
- (iii) personnel retrenched from Government offices after at least one year's service, applying through the Employment Exchange and
- (iv) candidates belonging to the Scheduled Castes or Scheduled Tribes.

D Qualifications:

- 1) Research Officer, Department of Research and Statistics.

First or high second class Master's degree in Economics of an Indian University, or first or high second class degree in Economics of a foreign University, or a Doctorate degree in Economics of an Indian or Foreign University and specialisation and research in Agricultural Economics.

- 2) Assistant Accountant, Department of Banking Development.

Applicants should possess a first or high second class M.A. in Economics or M. Com. degree of a recognised University. In addition, the candidate should

possess adequate experience of one or more aspects of Industrial Finance or, be a Chartered or Incorporated Accountant with experience of accountancy and audit in a firm of standing and repute.

3) Rural Credit Officers, Agricultural Credit Department.

Applicants should possess very high academic qualifications of Indian or Foreign Universities, (preferably post-graduate) in Economics, Sociology or other Social Sciences, and possess degrees which are either first class or high second class. Special study or knowledge of rural economics or rural sociology will be an additional qualification; so also will be the experience gained in a responsible position in a Co-operative Department or in a Co-operative Institution.

4 Probationary Assistants, Agricultural Credit Department and Department of Banking Development.

Applicants should possess a first or high second class Master's degree of an Indian or Foreign University in Economics, Sociology or other Social Sciences or in Commerce. Special study or knowledge of rural economics or rural sociology will be an additional qualification; so also will be the experience gained in a responsible position in a Co-operative Department or in a Co-operative Institution. Proficiency in drafting notes, memoranda, reports etc. is expected.

5) Probationary Assistants, Legal Division.

Applicants should be advocates or Solicitors and should possess in addition to high academic qualifications in Law, practical experience of work in an advocate's or Solicitor's office or have practised independently, for at least 5 years. Preference will be given to candidates having M.L. or LL.M. or other equivalent qualifications and special knowledge of banking and company law and to candidates who have passed the advocates' (O.S.) examination held by the Bombay High Court or the Solicitors' examination held by the Calcutta High Court or by the Bombay Incorporated Law Society.

6) Economic Assistants:

Applicants should possess a high second class Master's degree or a first class Bachelor's degree in Economics or Commerce of Indian or Foreign University and have practical experience in the Co-operative Department of any State in India or abroad or in a Co-operative Institution of standing. Specialised study in Rural Sociology will be an additional qualification. Graduates who have passed out of any of the Training centres organised by the Central Committee for Co-operative Training or those run by State Governments may also apply.

The Board will insist on a very high standard of suitability in making selections for the above posts and only candidates who possess good academic qualifications and adequate experience of the type specified are advised to apply.

Candidates who wish to apply for more than one category of posts must submit separate applications accompanied by separate application fees.

The selected candidates for the posts of Research Officer, Assistant Accountant, Rural Credit Officers and Probationary Assistants will ordinarily be on probation for a period of 3 years which may be reduced or extended at the Bank's discretion. Candidates selected for the

posts of Economic Assistants will be on probation for a period of one year. Candidates selected for the posts in Department of Research and Statistics, Department of Banking Development and Legal Division will ordinarily be stationed in Bombay but those selected for the posts in the Agricultural Credit Department must be prepared to serve in any office of the Bank in India and to undertake tours when required.

Applications should be in a special form to be obtained from any office of the Reserve Bank. All the applications should be accompanied by copies of two testimonials (originals should not be sent; the Bank does NOT accept responsibility for returning the originals if sent through oversight) and forwarded to the Secretary, Central Recruitment Board, Reserve Bank of India, Central Office, Post Box No. 406, Bombay No. 1, so as to reach him on or before 31st January, 1956. Candidates already in service must submit their applications through their employers. Candidates belonging to Scheduled Castes or Scheduled Tribes should mention this fact prominently on their applications.

Applicants for all the above posts except Economic Assistants must remit application fees of Rs. 7-8 per application by Postal Order, Cheque or Bank Draft on a Scheduled Bank payable at Bombay along with the application. Candidates for the posts of Economic Assistants must remit an application fee of Rs. 2 in a similar manner. The application fee is in no case refundable. Bonafide refugee candidates who are not in employment applying through any of the Government Employment Exchanges are exempted from payment of application fees while in the case of Scheduled Castes/Scheduled Tribes candidates the fee will be reduced to 1th.

Appointments will be subject to candidates being found medically fit for service in the Bank. If any candidate desires to have his application acknowledged he should enclose a stamped self-addressed envelope or a post-card. Apart from those who may be specially called, interviews will not be granted to candidates nor will the Bank enter into any correspondence with them.

Canvassing in any form will be regarded a disqualification.

THE EASTERN ECONOMIST

(Subscription Rates)

		Payable in advance	
		India	Foreign
		Rs.	Rs.
Annual	.. .. .	50	66
Half-yearly	.. .. .	25	33

Copies delivered by air in Bombay, Calcutta and Madras at an extra cost of Rs. 9/- per year.

Foreign air rates on application. Offices in New York, London and Tokyo.

The Manager,

THE EASTERN ECONOMIST LTD.,

52, Queensway
NEW DELHI

Company Meeting

INDIA STEAMSHIP COMPANY, LIMITED

SIR A. RAMASWAMI MUDALIAR ON FLEET EXPANSION PROGRAMME

Addressing the annual general meeting of the shareholders of India Steamship Co., Ltd. held in Calcutta on December 20, 1955, the Chairman of the Company, Sir A. Ramaswami Mudaliar, K.C.S.I., D.C.L. (Oxon), said:—

Gentlemen,

The Audited Accounts and Directors' Report for the period ending March 31, 1955, has been in your possession for some time. With your permission I shall take them as read.

TRADING EXPERIENCE

The Directors' Report shows that the freight earned during the year is Rs. 4,01,00,132-3-4 about Rs. 41 lakhs more than the freight of the previous year, but this is counter-balanced by increased port charges, stevedoring charges, transshipment charges and other expenditure. The time taken in the turn-round of ships materially affected the profit which the Company could have made. During the year the average time taken for a round voyage was 16 days more than in the previous year, the economic consequences of which do not require detailed explanation.

Despite these adverse factors your Company made a profit of about Rs. 24 lakhs before providing for depreciation. The year under review has been an even more anxious and disturbing year than the last and it required all the care and ingenuity of the various departments of the Company and of our Agents abroad to obtain this result.

DELAY IN PORTS

I referred in my last Speech to the serious delays that occurred in some of the Indian Ports owing to resort to a 'go-slow' movement by a section of the Dock workers. The situation deteriorated further during the year, Calcutta being the worst affected and Bombay being not far behind. While the position in India was creating anxiety, a disastrous strike took place in London and in some of the other main British Ports like Liverpool, lasting over six weeks which further accentuated the situation. The Indian situation was to some extent due either to the desire of some of the leaders of labour unions to find employment for as much pool labour at a port as possible by spreading out their work or to shortage of labour. The British situation on the other hand had no justification either because wages and conditions of service were not satisfactory or because of want of employment. It was purely a result of a dispute between rival unions for which neither stevedores nor Shipowners were responsible nor had they any means of controlling or settling the disputes. The British Shipping Journal-Fairplay,

remarked in its issue of November 10, 1955, "an important factor if not the cardinal factor influencing the present crisis in a long series of post-war economic ups and downs is the number of dock strikes—the worst of which occurred a year ago—that has marred the national scene.... The Position generally with the rival Dock Union is that certain of the extremist members would repeatedly paralyse the nation's ports if they could. To make the public fully aware of the true extent of such irresponsible action employers generally should not hesitate to present the hard facts and thus reveal trouble-making elements in their true colours".

These comments could be applied in exactly the same words to the situation in India.

REMEDIAL MEASURES

The Dock Labour situation towards the end of the year under review became so serious that a proposal to levy a surcharge in the ports of Bombay and Calcutta was put forward by the Conference Lines. The Government of India, had, however, realised the situation, a little earlier and had appointed a Committee called the Vasist Committee to examine the whole question and propose remedies to restore normal conditions at Indian Ports. I was invited by the Government to be a member of this Committee and, therefore, had opportunities of studying the situation in all its aspects. The Vasist Committee submitted its report to the Government and I understand practically all the recommendations of this Committee have been accepted. The most important of these recommendations are that special powers should be given to the Chairmen of the Dock Labour Boards on the lines of the emergency powers that have recently been given to the Chairman of the Calcutta Port Trust. The second recommendation which is even more important is that the piece-rate system should be introduced in connection with work of stevedore labour and consequentially of port labour also. These two reforms have now been realised by those responsible at the highest level, the Transport Minister and the Labour Minister, to be essential and I trust that they will be put into effect before the end of the year. I should like to take this opportunity of complimenting the Chairman of the Dock Labour Enquiry Committee—Mr. S. S. Vasist, for the thoroughness with which he conducted the enquiry, for his patience and sense of fairness. It will now be for the Chairmen of the Dock Labour Boards to carry out their responsibilities firmly, fairly and equitably without being thwarted in their work either by the

intransigence of certain sections of labour or by any unreasonable attitude which stevedores may take in connection with reasonable amenities required by labour.

LABOUR AND EMPLOYERS

In the memoranda and in the evidence before the Vasisst Committee Shipowners have abundantly emphasised that they are willing to co-operate with the authorities in satisfying any legitimate and reasonable requests which labour may put forward. They have pointed out that ultimately the financial burden will fall on Shipowners. The loss that they sustain by the slow-turn-round of ships due to 'go-slow' movements or strikes often unauthorised or by mere absenteeism at some ports is out of all proportion. While they are, therefore, willing to meet the reasonable suggestions made on behalf of labour they must have some certainty that the response must be adequately forthcoming and that there must be a realisation that the interest of the country will suffer if work at ports is seriously affected. The second Five-Year Plan that the Government is contemplating, the expansion of Indian Shipping tonnage which Government is anxious to promote and the public eager to see, the industrialisation of the country which is the basis for that larger employment which is envisaged will all prove illusory, unless better relations prevail between the employer and the employees. It must be frankly stated that while the employer feels that he is bound to carry out the suggestions of Government or of labour tribunals or of conciliators, there is no such feeling amongst certain sections of labour that these decisions should be loyally accepted and carried out. The right kind of leadership, of labour is the most urgent need of the hour and I trust that with a Minister of Labour so well aware of labour conditions, it will be possible to instal such right leadership everywhere.

PROSPECTS

I referred last year to the fact that two ships had been ordered and would shortly be on the India-U.K. Continent Trade. One of the ships was delivered in January this year and the other in February and both the ships are plying on the regular Conference routes. Two more ships of the same class are under construction and it is expected that one of them will be delivered in February 1956 and the other by May or June. These four ships of 10,000 tons dead-weight with a proved trial speed of over 20 knots will add considerably to the shipping resources of your Company and I trust will improve the freight results substantially. In spite of the adverse affects on trading results due to factors to which I have referred above, the financial position of the Company remains healthy. Your Directors are, therefore, contemplating the further addition of ships to your fleet at the rate of at least one ship every year during the next five years, so that by 1960 if not earlier, we may reach the goal of 18 ships. I trust that we shall be able to maintain this programme and to make your Company a pre-eminent Indian Shipping Company in the overseas trade. The substantial assistance which the Government of India is giving by way of loan has been of considerable help both in planning this programme and in realising it by stages. The Directors have kept the financial commitments closely under review and are optimistic enough to feel that these commitments can be met without undue difficulty.

CONFERENCE MEMBERSHIP

I need not refer to the hardy annual which has formed a feature of my annual speeches—membership of your Line in various Conferences from ports on the route between India, the U.K. and the Continent. We have attempted time and again to get a reasonable settlement of this question but so far we have failed to

get any results from several of these Conferences. I feel that the time has now come when with due regard to our convenience and interest we must make our entry into these routes, irrespective of whether members of such Conferences desire it or not.

FIVE-YEAR PLAN

In the second Five-Year Plan provision will be made for the expansion of Indian shipping. This will mean not simply the mere increase of tonnage on existing routes but the successful operation on different routes across the wide seas which Indian shipping has not so far been able to do. While trade from India is world wide and products from India reach the far corners of the earth and while similarly India imports from different regions her requirements, Indian Tonnage at present is confined only to certain routes; a vast area for shipping enterprise by Indian ships is thus left uncovered. It is only natural that both the general public, the Indian commercial community and the Government should find ways and means by which some of the routes can be covered by Indian Shipping. There are Conferences in which Indian Shipping is not represented and as a consequence the Indian point of view goes unnoticed. I trust that the second Five-Year Plan will make adequate provisions to bring about a better balanced position for Indian Shipping in the world picture of shipping. The various Indian Shipping companies have put forward proposals for expansion of their tonnage and while I am glad to note that even the reduced figure that is reported to be available under the second Five-Year Plan will meet all the suggestions of the existing Indian shipping companies, I trust that the target will be so revised as to make it possible for greater effort being made in this direction.

FLAG DISCRIMINATION

I have repeatedly referred to the charge of 'flag-discrimination' which shipping companies with strong vested interests, which have come into existence owing to the practice of extreme forms of flag discrimination, undiluted and uncontrolled, in the past, are now making in an attitude of self righteousness and accusing Governments anxious to promote the nascent shipping industry of their countries. At the last session of the International Chamber of Commerce held at Tokyo in May of this year, this question was again raised and my esteemed colleague Sir Bijoy Prasad Singh Roy made a very carefully reasoned and firm speech on what really constitutes flag discrimination. He pointed out that India in any case was scrupulously abiding by all the well-known rules against flag discrimination and that nations which are accusing India were not equally as scrupulous. In spite of this the vested interests have seen to it that such unreal allegations continue to be made. I feel that it is high time that we ignore these statements and I would suggest that the Indian delegates even if they attend such Conference, do not take part in these futile and meaningless debates and discussions.

TRIBUTE

I would like to emphasise the tribute that has been paid by your Directors to the Minister, Shri Lal Bahadur Shastri, the Deputy Minister, the Secretary and the officers of the Secretariat for the sustained interest that has been shown in the development and expansion of Indian Shipping. I would also like to thank the Minister of Labour who has courageously pointed out the path of duty to labour in general and to Dock Labour in particular and I trust that in implementing various suggestions and recommendations the same courage and firmness will continue to be evinced so that National interest may be safeguarded and the Nations' progress assured. The Director-General of Shipping and the Deputy Director-General and other

officers have shown keen solicitude towards Indian shipping and have by their advice and encouragement greatly assisted your Company.

I would like to take this opportunity of thanking the shippers for patronising our vessels both here and overseas. I have already mentioned the very difficult and anxious time that we have had and the frustrations that we have suffered in keeping the regularity of our shipping service and the promptitude of despatch of our vessels and I would like to express my thanks to the shippers who have generally realised our difficulties and have shown forbearance.

Lastly, I would like to emphasise again the fact

that your Company has been well served by all its officers both ashore and afloat. Some of these officers have had extremely difficult and anxious times and have had very onerous responsibilities thrown on them owing to the irregularity in voyages occasioned by the factors already referred to.

On behalf of the Directors I wish to convey our thanks to the Executive and Supervisory staff and to all the employees of the Company both ashore and afloat for their good and enthusiastic work.

I shall be glad to answer any question which the Shareholders may wish to ask regarding the accounts.

Company Meeting

The Delhi Cloth & General Mills Co., Ltd. Delhi

Sir Shri Ram's Speech

Speaking to the share-holders of the Delhi Cloth and General Mills Co., Ltd., at their Annual General Meeting held on 29-12-1955. Sir Shri Ram, Chairman of the Company stated that the profits for the year 1954-55 were comparable to some of the best years in the financial history of the Company. In keeping with their progressive policies the Company had carried out large programmes of modernisation and expansion, such as the new Textile Mill at Hissar, already gone into production, the Silk Mill, which would soon start working, and expansion of Caustic Soda and Sulphuric Acid Plants. Proceedings he said:

The foremost among important events during the year was the publication of the tentative frame work of the second Plan which will come into operation in a few months from now. The discussions have not yet reached a stage of finality but the broad contours of a Plan bigger and bolder than the first Five-Year Plan are fairly clear, and this is as it should be. It is proposed to step up the tempo of economic development in such a manner that the national income in 1960-61, the last year of the second Plan, will be 25 per cent higher than it is in the current year, which is the last year of the first Plan period.

The Plan Frame, as you all know, is an extensive document dealing with numerous industries. But speaking to the share-holders of the Delhi Cloth and General Mills, I will confine my remarks to the industries in which we are directly interested.

I am happy to note that in the case of sugar the target has been kept quite high, and fortunately unlike Textiles, no curbs on output or expansion are proposed for the benefit of the Khandsari Cottage Industry.

In the case of Chemicals and Vanaspati, likewise, adequate scope is being afforded for growth and progress.

I am, however, sorry to say that in the matter of cotton textiles, there are very strong differences of opinion not only as regards the targets of the second Five-Year Plan but also regarding the means of production. In offering my views on cotton textiles, I am deeply conscious of the urge to solve the problem of unemployment, which is regarded as the main inspiration for these suggestions.

There is a set of people—politicians and others who strongly believe that the requirements of cloth will increase be only 28 per cent, and they calculate it on the basis of 18 yards, per person as against the 15 yards consumed at present. There are others who equally strongly and honestly believe that the consumption of cloth, which is the next most important item of consumption next of cereals, could not be less than 22 yards per person. Personally I believe that definitely 18 yards is too low a figure. I place below the percentage of increase in production which Government themselves have set as the target for a few other commodities of common use:

Sugar	..	50%
Vanaspati	..	33%
Paper	..	43%
Bicycles	..	100%
Soap	..	43%

While there cannot, of course, be a uniform increase for all industries, the percentage of increase provided for textiles, which, on the basis of 18 yards per capita consumption, comes to only 28 per cent, contrasts with the higher percentages listed above, for items most of which are less important than cloth or cereals.

Even if 22 yards is considered to be a very generous figure—and I am confident that with the increasing purchasing power which Planned development should put into the hands of people, it is not a generous figure at all—even then at least 20 yards will not be too high a figure and will certainly be required.

The next and more important difference between the two schools of thought is with regard to the means

of increased production. There is a school who honestly and strongly believe that all the extra cloth required could be produced by hand-loom workers. On the other hand, there are others who equally and strongly believe that even if 18 yards be the target, leave alone 20 yards 22 yards per capita, the hand-loom workers will not be able to produce the required quantity.

I believe that neither those who believe that hand-loom could produce, nor those who believe that hand-loom could not produce as could be absolutely certain in their belief and definitely say that they are right. I, therefore, humbly suggest that a complete ban should not be placed on the increase in production of cloth by big scale industry. If at any time it is found that the hand-loom are producing what is required by the country in enough quantities the restriction can be brought on the mill industry at that stage. Even in the Five-Year Plan, there could be no absolute rigidity, and as our Prime Minister has rightly expressed more than once, our approach has to be dynamic, changes may have to be made from time to time even after the Five-Year Plan has been accepted. And, in any case, we will have many more Five-Year Plans—all with the object of raising the standard of living—which will mean that not merely 18 yards, or 20 yards, or even 22 yards, but perhaps we would like our people to use 30 yards per capita or even more. This mid course will, on the one hand, not stand in the way of all the help and subsidy that is proposed to be given to the cottage industry, and on the other hand, avoid the grave risk of heavy shortages, leading to controls and black-marketing.

There is a feeling among certain people that in case of shortages, whether of yarn or of cloth, certain mills, which are not running 2nd or 3rd shift, could be asked to do so and thus save the situation.

May I, with whatever experience I have had during the last 50 years, say that there is a very big number of mills where the machinery is in such a bad state of repair, and so old and inefficient, that it would not be possible to increase the shifts, except, perhaps, in a mill or two here and there. In fact, if these had been in a position to run extra shifts, they certainly could have done so even now when the margin of profit is certainly above the average.

There is a still more controversial and serious matter where there are even stronger differences than in the matter of cloth, and that is about increasing the spinning capacity of the mills or depending upon the Ambar Charkha. I am giving a few figures as regards the extra labour cost in the case of Ambar Charkha, and this has been taken from a recent number of the A.-I.C.C. Economic Review:

I No. of man-hours required to produce 100 lbs. of 20s yarn		
On Amber Charkha	By Mills	
2,000 man-hours	35.84 man-hours	
II Ratio of man-hours required for a given output: 1 : 55.56		
III Cost of Production per pound of 20s yarn		
	Mill	Ambar Charkha
1. Raw Material	224 pies	224 pies
2. Wage Cost	30 pies	480 pies
3. Stores, Power and Light, Depreciation and Overheads	35 pies	17.5 pies
Cost per pound	289 pies	721.5 pies

It is all too easy, in considering a matter of this kind, to make little of the problem of quality and cost of production, and I am, therefore, taking the liberty of

quoting two paragraphs on this point from the University Education Commission's Report:

"For Government to try to manufacture and to distribute this vast variety of goods (i.e. consumer goods in general) on a non-competitive basis would result in a lack of technical progress. Such goods as a rule can best be supplied by the free play of private enterprise and initiative, with the public in effect voting on the need and worth of each article by buying or not buying."

"When the manufacture of a new product is considered, there is a final test of its practical worth which is equal to the decision of the public to buy or not to buy. If a new article is faulty or its cost too great, there is no greater incentive to its improvement than the desire of the manufacturer to make it acceptable to the buying public. To that end he will carry on research and try to improve this product, and to lower cost and prices."

Apart from these general effects, it has also to be remembered that these inevitable increases in prices, arising from higher cost production, must affect seriously many whose incomes will not and cannot expand in proportion to the rise in prices.

Even, however, if all the claims made for the Ambar Charkha are proved to be correct, to be able to produce so many 'charkhas'—25 lakhs or so—to induce so many people to take it up and organise the whole thing, will probably be not achieved, in spite of all the good wishes of its protagonists, even in the whole period of the second Five-Year Plan.

While in the case of shortage of cloth, it will be the consumer alone and not the mills that will suffer, in the case of shortage of yarn even those hand-loom weavers whom it is intended to help, will suffer. And if my fear of the Ambar Charkha not being able to produce sufficient quantity of yarn in time comes true, then even those who believe that the hand-loom could produce all the cloth required, will find that, on the one hand, the increase in the mill production was banned, on the other, the hand-loom people, without the yarn, will not be able to produce, and there will be heavy shortage of cloth as a whole in the country with most deplorable results.

There is one other point, which I must mention, that the Finance Minister believes that deficit financing to the extent of 1,200 crores of rupees will be necessary to carry out the Plan. In the past, there has been deficit financing, but of a much smaller magnitude, and this has gone on without producing any evil effects, for the very simple reason that agricultural and industrial production had increased, if anything, at a faster rate, and it was due to this increase in agricultural and industrial production that there was no inflation.

With deficit financing of much bigger dimensions, it is absolutely necessary that we should not only not do anything by which production may be restricted but take all such steps as may be possible to increase production, so that inflation may be avoided.

There is yet another matter which is equally important and that is of earning extra foreign exchange to the tune of 800 crores of rupees. The commodities, which can earn exchange, are well-known. I do not think that the production or export of tea can be increased by a stroke of the pen. It will mainly be jute goods, cotton textiles, engineering goods and certain raw materials that will earn, and I am almost certain that the export of cotton textiles could certainly increase by something like 50 per cent given certain conditions. I may as well say that exports can only

be possible on commodity for which there is a good home market.

I would, therefore, again in all earnestness appeal to all those concerned that the increase in spindles and looms should not be completely banned but permitted in restricted numbers, and at any time, when it is found, even after a year, two years, or three years, that Ambar Charkha and the handlooms have come up to the expectations and demands, immediate steps could then be taken to stop further expansion of spindles and/or looms. What with the difficulties of Planning, Finance, obtainment of machines and so on, the possible increase in spindles and looms by the mill industry even without a ban during the waiting period could only be limited and hardly such as to impair the prospects of expansion in other sectors. What I fervently urge is that the matter should be approached with an open mind by all concerned and not in a dogmatic spirit.

We industrialists are a much-maligned lot as some debates in Parliament during this year have shown. But I do wish to point out that most of us, at any rate, are not lesser patriots. Indian industrial enterprise has served the country well. Its achievements during the first Plan period are a testimony won in spite of numerous handicaps. And I am confident that given reasonable opportunity and a co-operative administrative

environment, it can deliver the goods in the second Plan. Let us have the tools, and we will do the job.

The need for greater participation on the part of labour in the management of industrial enterprises has been in the air for some time now. I think, in terms of providing a wide range of opportunities for participation in management functions, production committees and works committees are likely to be more useful for a long time to come. Due to many reasons works and production committees have not yet been made a success. As employers, we share a part of the blame, as much as the employees must. But I am confident that given the goodwill and co-operation, our works and production committees can be transformed from mere grievance platforms into vital, living institutions which can provide a multipoint contact, at an easily assimilable level, for a large number of the workers. To my mind, this constitutes a more desirable channel, from the point of view of its value as education in management, into which the urge for greater participation in management can at this stage be most usefully directed.

Before I conclude, ladies and gentlemen, I have great pleasure in putting on record my appreciation of the efforts of all my colleagues, big and small, and I convey to them our thanks for the same."

Company Meeting

Address by DR. NARENDRA NATH LAW, M.A., P.R.S., Ph.D., CHAIRMAN OF THE BOARD OF DIRECTORS,

Hindusthan Co-operative Insurance Society, Ltd.

At the 48th Ordinary Annual General Meeting held
on 21st December, 1955

Before passing on to the details of the Society's working in 1954, I would like to say a few words about the economic and financial background against which we have had to work and are also working now. By the end of 1954, the fourth year of the first Five-Year Plan, the effects of the increased expenditure on private and public sectors were becoming somewhat noticeable. It was a matter for satisfaction indeed that both industrial and agricultural production continued to rise—the extent of the increase being about 40 per cent in the industrial sphere and 20 per cent in the agricultural sphere. An atmosphere of general well-being was at last being created. We profited by the same as reflected in our increased new business figures. And, indeed, we would have done better but for two rather adverse factors. The recession in agricultural prices hit the farmers hard and, as such, this class, which is now fast becoming insurance-minded, could not be tapped as effectively as otherwise would have been possible. Secondly, the unemployment position continued to be as bad as ever and, as a matter of fact, it is likely to be worse at the end of the first Plan period as has been admitted even by Sri C. D. Deshmukh, our Finance Minister, in a recent assessment of the achievements of the first Five-Year Plan. This coupled with the continuing high cost of living considerably crippled what otherwise promised to be a rapidly expanding field for catering by the life insurers.

Though the general economic background was thus not as satisfactory as we had expected the same to be, the prospects for future growth of the business would appear to be quite reassuring in view of the targets of achievements set before the country under the second Five-Year Plan. Under quite adverse working conditions in the past, Indian insurance was eminently successful in bringing the message of life insurance to the nooks and corners of our vast country. Carrying the benefits to the interiors, where means of conveyance, road facilities and other amenities were much too meagre, Indian insurers had naturally to incur rather high organisation expenses. The time is now coming when we shall be able to reap the benefits of our past endeavours, and it would indeed be a pity if the insurance business were prevented from doing so at this juncture because of Government policy. I can say without hesitation that the rumour of nationalizing the insurance industry, which is spreading far and wide, is acting as a damper to private enterprise. While State ownership of industries may be one of the fundamentals of a welfare State, I must say that insurance, which has just emerged out of its swaddling-clothes, is least fitted for nationalization in this country. The prompt and efficient service that is essential for the development of insurance business cannot be expected from State-controlled organizations in the same measure as private insurers offer under competitive conditions to

their prospective policyholders. It is truly said that State enterprise sells security but cannot sell security and service together. Nationalization of the insurance industry will on the one hand fail to serve any national interest and on the other it will prove to be a positive hindrance to the promotion and expansion of the industry in India. Government should, therefore, consider the issue with a more objective outlook and leave the industry to grow to its full stature by healthy competition as a private enterprise under which it has made such a remarkable progress so far.

NEW BUSINESS: I am extremely happy to be able to say that during 1954 the Society has written a completed new business to the tune of Rs. 30.44 crores as against Rs. 18.89 crores in 1953, which marked a record increase of over Rs. 11.55 crores over the corresponding figure of the previous year. An increase of business of this magnitude is without a precedent in the annals of the Society and we can justly feel very proud of it. The results are all the more gratifying in view of the fact that we did not participate in the rate-cutting war which was indulged in by some insurers at the beginning of the last year, and that our line of action was just as upheld by the decision of the Executive Committee of the Life Insurance Council, which forced these companies to withdraw those rates and introduce more sound and rational rates.

TOTAL INCOME: The total premium income during the year under review in respect of the life insurance business amounted to Rs. 4,87,85,598 which shows an increase of Rs. 53,54,873 over 1953 figure. Income from interest, dividend and rents, including profits on sale of landed properties, amounted to Rs. 78,35,279. The rate of interest, dividends and rents, etc., during the year worked out at 3.32 per cent after deduction of income-tax at source as against 3.69 per cent of the previous year. The difference is mainly due to the fact that while in 1953 we received the refund of income-tax for 3 years up to 1952, we received nothing in 1954 on this account. If the income-tax refund for 1953 were available in 1954, the net rate of interest for the year of account would have worked out at 3.54 per cent.

LIFE FUND AND INVESTMENT: The Life Assurance fund at the end of the year amounted to Rs. 25,19,15,721 recording an increase of Rs. 2,72,70,891 over that of 1953. The major heads of investment of the fund were:

	Rs	a. p.
I. Government & Approved Securities	13,95,70,310-0-0	
II. Debentures, Stock & Shares	3,22,75,958-0-0	
III. Loans to Policyholders	2,05,53,209-0-0	
IV. Mortgages	2,81,33,358-0-0	
V. Land & House	2,67,11,083-0-0	

Government and Approved Securities represent 59.90 per cent of the total adjusted liabilities.

CLAIMS: During the year under review claims on maturity, inclusive of bonus, amounted to Rs. 87,05,917, and by death, inclusive of bonus, to Rs. 35,63,361 as against Rs. 71,13,328 and Rs. 31,88,843 respectively in 1953. The percentage of death claim to the total premium income worked out at 7.53 per cent as against 7.34 per cent of 1953.

EXPENSES: The renewal expense ratio in respect of the Society's business in India, calculated on the basis of Rule 17D of Insurance Rules worked out at 14.38 per cent as against 14.58 per cent of the year pre-

vious. The renewal expense ratio has thus been steadily coming down since the past two years. To break the stalemate in new business, which had set in the Society's business till about the middle of 1953, we had naturally to expand our organization and, as is well known, the benefits of such expansion take a little time to fructify in insurance. Further, owing to the reduction of premium rates which was quite substantial under certain tables, the yield of new premium income was proportionately lower. Judged in the light of these handicaps, the expense position may be considered as quite satisfactory and this also bears sufficient testimony to the efficient management of the Society's affairs.

SHAREHOLDERS' POSITION: The position of our Shareholders' Account is satisfactory and this year also the Dividend at a rate of 12½ per cent free of income-tax is being recommended for payment to the holders of all shares of the Society as on 31-12-1954.

CONCLUSION: Before I conclude, I must extend, on behalf of the Board, our very sincere thanks to our numerous policyholders and patrons for the generous support they have been lending the Society and, I hope, they would continue to extend their valued patronage in the years to come. I would also like to express our appreciation of the valuable services rendered by the Chief Officer, other Officers, Members of the Staff at the Head Office and Branches and Representatives of the Society.

**India's
Tea-
India's
Wealth**



EMPLOYMENT:
The tea gardens of India alone employ well over one million workers—thus our Tea Industry is the largest single employer of labour in India. Besides, with the tea trade it provides additional employment for a very large number of persons.

**No other drink refreshes
you so much, yet costs
so little as **TEA****

Company Meeting

THE MYSORE KIRLOSKAR LTD., HARIHAR.

14th ANNUAL GENERAL MEETING

The position of the order book in respect of orders on hand has been quite satisfactory. But this itself has posed a question before the Company, almost a challenge, to see if it can gear up its production to its maximum capacity. I am glad that the Management of the Company has been fully alive to this new situation", declared Shri K. Narayanaswamy, I.A.S., Chairman of the Company, in the 14th Annual General Meeting of the Shareholders.

The Chairman assured the shareholders that they could expect continued prosperity for their Company for the next few years also.

After referring to the additions to building and machinery etc. during the year he pointed out that the position of the Company had shown substantial improvement over the previous year and congratulated the Management, the members of the Staff and the

workmen and all others who shared in the efforts.

He also thanked the authorities of the Bombay Stock Exchange for admitting the fully paid ordinary shares of the Company to cash dealings in the Bombay Stock Exchange.

After referring to the difficulties in securing the raw materials like Pig Iron & Hard Coke in adequate quantities and the transport bottlenecks, he turned to the Labour situation and appealed to the workers that they should never forget that in its ultimate analysis it is the productivity of labour which would determine the wage level and they should not in their own interest do anything which would affect production adversely. He assured the workmen on behalf of the Management that the Company would continue to give the same kind and sympathetic consideration to the needs of the workmen as hitherto.

THE RAMAYANA OF TULSIDAS IN ENGLISH VERSE

LATEST "HINDUSTAN TIMES" PUBLICATION

The famous Hindi epic regarded by many as "the greatest book in all devotional literature" is for the first time now available in English verse.

The translator, the Rev. A. G. Atkins, completed the book after ten years of devoted work. He has tried "to keep and express in English in the fine rhythm and music of the original in simple lucid language, and with as much of the vivacity, wittiness and picturesqueness that Tulsidas has put into his work." He has also followed in some measure Tulsidas's metrical variations such as *chhand*, *chaupai*, *doha* and *soratha*.

In a foreword Mr C. Rajagopalachari says: "Mr Atkins' monumental work and his Introduction are a revelation of hope for those who desire to see all the great religions of mankind come together. His service is not only to English-speaking people but also to that very large number of Hindus in India who do not speak the Hindi language and to whom English has become a very familiar medium."

The book is of special value to libraries, scholars and devotees of Tulsidas.

It has been issued in the following four editions:

- I. Original text of Tulsidas with translation in English verse; three volumes; 1468 pages; price Rs. 50 net.
- II. Translation in English verse; without Hindi text, two volume; 898 pages; price Rs. 40 net.
- III. Special tissue paper edition of I, one volume, price Rs. 100 net.
- IV. Special tissue paper edition of II, one volume, price Rs. 100 net.

POSTAGE EXTRA

The Manager,

**THE HINDUSTAN TIMES,
NEW DELHI.**

The consent of the Government of India has been obtained to this Issue by an order a complete copy of which is available for public inspection at the Head Office of the Company. 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.

A licence (No. L 20555) has been obtained from the Central Government for effecting a substantial expansion to this industrial undertaking of which a copy is open to public inspection at Head Office of the Company. It must be distinctly understood that in granting this Licence the Government of India do not take any responsibility for the financial soundness of this undertaking or for the correctness of the statements made or opinions expressed in regard to it.

A copy of this Prospectus has been delivered to the Registrar of Joint Stock Companies, West Bengal for registration.

Application will be made to the Calcutta Stock Exchange for permission to deal in and for official quotation of the ordinary shares of the Company.

The subscription list will open on the eleventh day of January, 1956 and will close on the eighteenth day of January, 1956, or earlier, or later, at the discretion of the Directors.

NATIONAL CARBON COMPANY (INDIA) LIMITED.

(Incorporated on 20th June, 1934 under the Indian Companies Act, 1913.)

SHARE CAPITAL

Authorised

Rs. 2,50,00,000 divided into 25,00,000 Shares of Rs. 10 each.

Issued, Subscribed and Paid-up

Rs. 1,60,00,000 divided into 16,00,000 Ordinary Shares of Rs. 10 each.

LOAN CAPITAL

The Company has no debentures or other loan capital outstanding.

ISSUE

4,00,000 Ordinary Shares of Rs. 10 each fully paid at Rs. 19 As. 8 per Share payable in full on application.

The Company is advised that the Ordinary Shares now being offered for subscription are "Approved Investments" within Section 27A of the Insurance Act, 1938.

The shares now being issued will rank for any dividend declared in respect of the financial year commencing on 26th December, 1955, and all succeeding years and in all other respects pari passu with the ordinary shares of the Company already issued.

A second interim dividend, which in effect was a final dividend, of Rs. 20,00,000 free of income-tax amounting to Re. 1 As. 4 on each share of the issued share Capital of the Company, was declared and paid on December 1955, for the financial year ending December 25, 1955.

This dividend makes a total amount of Rs. 40,24,814 paid in respect of dividends for the Company's 1955 financial year, which is equivalent to over 20 per cent or more than Rs. 2 per share on a capital of Rs. 2,00,00,000 fully paid.

Applications must be for a minimum of 50 shares or for multiples of 50 shares.

DIRECTORS:

Names	Addresses	Descriptions
JAMES EDWARD POTTS	2, Rainey Park, Calcutta.	Company Executive (Chairman).
JENNIS ROY GALLOWAY	861, Alipore Road, Calcutta.	Company Executive (Managing Director).
DARA PIROJSHAW	5, Lansdowne Road, Calcutta.	Company Executive.
ANTIA FRANCIS JACK DRANE	2, Rainey Park, Calcutta.	Company Executive.
DAVID PLATT DUNDERDALE	6, Merlin Park, Calcutta.	Solicitor.
RAYMOND VINCENT FARRELL	669, Wolf's Lane, Pelham Manor, New York, U.S.A.	Industrialist.
JOHN KENDALL GRASSIE	28127, West Oviatt Road, Bay Village, Ohio, U.S.A.	Industrialist.
THOMAS GORDON LEWIS	861, Alipore Road, Calcutta.	Company Executive.
KAILASH CHANDRA MAHINDRA	3, Jorbagh Nursery, New Delhi.	Industrialist.

BANKERS:

STATE BANK OF INDIA, Strand Road, Calcutta-1.

SOLICITORS:

SANDERSONS & MORGANS, 5 & 7, Netaji Subhas Road, Calcutta-1.

AUDITORS:

FORD, RHODES, PARKS & CO., 64 & 65, Stephen House, Calcutta-1.

REGISTERED OFFICE:

POLICK HOUSE, 18A, BRABOURNE ROAD, CALCUTTA-1.

BROKERS

MANAGING BROKERS:

Calcutta: PLACE, SIDONS & GOUGH, 6, Lyons Range.

SUB-BROKERS:

Calcutta: STEWART & CO., 7, Royal Exchange Place.
Bombay: BATLIVALA & KARANI, Savoy Chambers, Dalal Street Fort.
Bombay: LEWIS & JONES, Bank of Baroda Building.
Delhi: HARBANS SINGH MEHTA, 33, Regal Building, Parliament Street, P.O. Box 300.
Madras: PATERSONS & CO., Badsha Building, 32, Errabalu Street, P.O. Box 48.

PARTICULARS

HISTORY AND BUSINESS:

The Company was incorporated in Bengal as a Private Company in 1934. It acquired in June 1934 and has since carried on the business in India of the Ever-Ready Company (Great Britain), Limited, including the sole right to use in India the world famous "EVER-READY" Trade Mark as well as other well-known Trade Marks including "MINI-MAX", "LAYERBILT", "MASTER-LITE", "AIR CELL", etc.

The Company's predecessors commenced manufacturing dry cells and batteries for flashlights and radios in 1926 when the first plant was set up. From the beginning the manufacture of dry cells and batteries progressively passed from a purely assembly process of imported parts to a position where a majority of those parts are now produced by the Company in India.

Throughout its history the Company has shown a consistent and healthy growth. In 1935 the installed capacity of the production plant was approximately 15,00,000 cells per annum, with an area of 25,000 square feet being used for manufacturing and storage purposes. A new plant at Cossipore commenced operations in 1940 by which time production had doubled. In 1952 the Company increased its productive capacity by the installation of a modern factory in Madras; this installation, while showing a considerable saving in freight on finished batteries, also forms part of an overall plan of decentralization thus avoiding the possibility of complete disruption of the Company's business by civil disorder or natural calamity. Today the Company has a capacity of almost ten times that of 1935 and utilizes over 300,000 square feet of space for the manufacture of components and finished batteries.

In 1937 the Company's Sales Offices and Warehouses were located in Calcutta, Bombay and Madras. Today they are spread over Calcutta, Bombay, Madras, Delhi, Cochin, Vijayawada, Allahabad, Gondia, thus shortening the Company's lines of contact with its customers and thereby improving its service to them.

In keeping with its declared policy of manufacturing as many as possible of the component parts required in its operations, the Company installed in 1949 a manganese ore crushing and grinding mill with auxiliary air classifying and filter unit. The installation of this unit, the first of its kind in India, has enabled the Company to use basic raw materials direct from the mine in bulk for further processing in India thus eliminating costly packing and handling charges.

Ever watchful of its manufacturing costs, the Company has followed a steady plan of mechanization of its manufacturing processes. Soon after the end of the second World War a plan was adopted for the complete automation of its zinc can manufacturing department. The automation of this department, while reducing the labour component to approximately 10 per cent of its former strength, was so carefully integrated with the Company's other expansion plans that no lay-off of the labour force was necessary.

The dry cell for many of its components relies on small punched and formed metal and paper parts.

Prior to 1948 practically all of these were imported. Today in its well-equipped punch press shop a large volume of components is produced annually. This department has recently been supplemented with machinery for the production of multiple connection sockets for radio batteries, etc. For the maintenance and manufacture of the special high precision dies required in the punch press shop, the Company has set up a die department as a special adjunct to its machine shop. All the activities of this machine shop, in which is installed the most modern equipment, are supervised by experts with long experience in die making and machine shop operation.

The Company, in its efforts to keep up a high standard of quality, has always maintained laboratories for examination of raw materials, finished products and for research. In 1940 it installed the first air-conditioned constant temperature and humidity laboratory for dry cell testing in India and most of the specification data evolved from information collected in this laboratory and from the Company's overseas associates was made available to the INDIAN STANDARDS INSTITUTE for developing its dry cell and battery specifications. In 1950 this laboratory was considerably enlarged and fitted with complex and automatic testing equipment with accommodation for testing over 5,000 cells simultaneously.

In 1953 the Company introduced into India for the first time the large scale manufacture of a special design of flat cell which is assembled into batteries known by the trade mark "MINI-MAX". Because of its shape this cell lends itself readily to the requirements of the radio battery and hearing-aid trade and since its inception the business has grown to a point where it is a very important part of the Company's operations.

During the time the Company has done business in India it has always cultivated good relations with its employees and has been in the forefront of industry in India with a provident fund and credit society as well as many auxiliary activities such as sports, clubs, libraries, canteens, etc. The Company has maintained a policy of including Indian nationals within its management group as well as providing practical training with its overseas associates to Indian supervisory and technical staff.

The Company was converted into a Public Company on 23rd December, 1955.

OBJECTS OF ISSUE:

The objects of the present issue are to afford an opportunity for the participation of Indian capital, and to provide additional capital for the expansion of the Company's business. The Directors are satisfied that all the capital intended to be raised by means of subscriptions received in response to this Prospectus can be usefully employed.

Financial Information.

Auditors' Report:

The following is a copy of the report of the Company's Auditors, Messrs. Ford, Rhodes, Parks & Co. The Directors, Stephen House, Messrs. National Carbon Company Dalhousie Square, Calcutta-1. (India) Limited, 2nd December, 1955. 18A, Brabourne Road, CALCUTTA-1. Gentlemen,

We have examined the Accounts of National Carbon Company (India) Limited as audited by us for the two years and nine months ended 25th September, 1955, and report as follows:

I. PROFITS:

The Profits of the Company arrived at on the basis set out below were as follows:-

	Year Ended 25th December, 1953.	Year Ended 25th December, 1954.	Nine Months Ended 25th September, 1955.
	Rs.	Rs.	Rs.
Sales	3,88,75,052	3,70,00,797	3,30,98,331
Cost of Materials	2,06,21,848	1,75,83,524	1,78,81,264
Salaries & Wages	52,04,779	55,09,486	41,64,898
Expenses	44,52,967	47,92,171	39,85,177
Depreciation	5,50,788	7,15,585	5,69,056
	3,08,30,382	2,86,00,766	2,66,00,395
Net Profit before Taxation	80,44,670	84,00,031	64,97,936
	3,88,75,052	3,70,00,797	3,30,98,331
Net Profit before Taxation	80,44,670	84,00,031	64,97,936
Provision for Taxation	33,46,889	34,98,831	27,34,512
Net Profit after Taxation	46,97,781	49,01,170	37,63,424
Amount Capitalized, Bonus Shares issued			18,75,930

Excise Duty was imposed on 1st March, 1955 on Batteries manufactured in India. Cost of Materials for nine months ended 25th September, 1955 includes such Excise Duty amounting to Rs. 19,67,513.

II. DIVIDENDS:

The Dividends paid (free of income-tax) in respect of each of the two years and nine months to 25th September, 1955 were as follows:-

	1953	1954	1955	Interim Dividend (before increase in Capital.)
	30%	40%	20%	

III. NET ASSETS:

The Net Assets of the Company as at 25th September, 1955 based on the Audited Balance Sheet at that date were as follows:-

Goodwill (At Cost) 30,00,243

	Book Value at 25th September, 1955.	Depreciation to 25th September, 1955.	Net.
	Rs.	Rs.	Rs.

Fixed Capital Expenditure			
Land and Buildings	15,56,847	3,23,275	12,35,572
Plant & Machinery	70,28,203	28,15,445	42,17,758
Other Assets	17,85,359	8,84,576	9,00,783
	1,03,72,490	40,23,296	63,49,113

Current Assets:

Stocks and Stores at Cost	1,54,72,221
Sundry Debtors	23,08,745
Due by Associated Companies	5,87,794
Cash and Bank Balances	15,40,767
Other Current Assets	11,17,387
	2,10,26,914

Less Current Liabilities and Provisions

Due to Associated Companies	11,63,372
Sundry Creditors	13,61,524
Bank Overdraft	33,46,485
Provision for:	
Taxation	17,52,916
Expenses	3,43,335
Net Current Assets:	79,67,632
	1,30,59,282

Net Assets as at 25th September, 1955 2,24,08,638

A revaluation of the Company's Fixed Assets carried out on the instructions of the Board showed that the cost of replacement would amount to Rs. 79,80,869 compared with the corresponding book value at 26th December, 1952 of Rs. 64,65,164. By a resolution of the Board dated 9th August, 1952 it was decided to incorporate this increased valuation in the books of the Company, the excess of Rs. 15,15,505 being carried to a Capital Reserve Account.

IV. SHARE CAPITAL

The Share Capital of the Company was increased during the third quarter of 1955 by the issue of 4,00,000 Ordinary Shares of Rs. 10/- each, by way of fully paid Bonus Share. The issued Share Capital on 25th September, 1955 was:-

16,00,000 Ordinary Shares of Rs. 10/- each, fully paid Rs. 1,60,00,000.

V. ACCOUNTS:

No Audited Accounts have been made up in respect of any period since 25th September, 1955.

Yours faithfully,

FORD, RHODES, PARKS & CO.,

Chartered Accountants

NEW PROJECTS:

The Company is presently constructing a zinc rolling mill for the production of high quality zinc alloy strip which ultimately will eliminate the need to import zinc strip for the dry battery trade thus taking a further step in its programme of self-sufficiency. It is expected that this zinc mill will be operating during the first half of 1956. Of the total amount of capital intended to be raised by means of the proposed issue, it is estimated that Rs. 55 lacs will be required for the purpose of equipping and establishing this zinc rolling mill.

The major part of the Company's business up to the present has been concerned with manufacture and sale of dry cells and batteries and it relies on the importation and indigenous manufacture of appliances, radio sets, flashlights, torches, etc., which operate with, or are powered by dry batteries to maintain the demand for its battery products.

The supply of flashlights and torches, the major stimulants to dry battery sales, is almost wholly dependent on importation from abroad, and of course, on the foreign exchange that may be available to cover the

necessary import licences. The Company has, therefore, formulated plans for and is proceeding with the establishment of a fully equipped factory for the manufacture of flashlight cases and it is expected to commence production during 1957. It will be equipped with the latest machinery and will use of the newest techniques known for the production of high quality, economically priced flashlight cases. When completed the factory will be the most modern of its kind in Asia.

With the output from this factory the Company can expect to benefit not only from the extra volume of business from the new product itself but also from a large increase in the sale of flashlight cells which will be required to power the flashlight cases produced and also for the replacement cells.

In addition to its manufacturing activities, the Company has imported for a number of years many of the various chemicals, plastic raw material, and industrial products produced by its associates in the U.S.A. and elsewhere. These associates are recognized as leaders in the field of chemicals and plastic both from the quality and quantity view point. The sales volume of these products has grown to a point where the Company deems it proper to consider their manufacture in India and recent surveys on the market have indicated that certain of these chemicals and plastics can now be manufactured economically in India because of the existence of regular supplies of the raw materials required. Plans for a modern chemical plant are now nearing completion and it is hoped to go into production in 1958. It is intended that products from this plant should consist of Polyethylene, Ethylene dichloride, a chemical in great demand as a fumigant for foodgrains, and some industrial solvents. It is anticipated that the sale of these products will add considerably to the Company's earnings.

PROSPECTS:

The present total sales density of dry cells in India is equivalent to 0.40 cells per capita per annum which compares adversely with adjacent Asian countries where densities run over 1.00 cells per capita per annum. With the application of the present Five-Year Plan which envisages an all round improvement in the standard of living, there is no reason to believe that the Indian consumption of dry cells will not rise to match or go beyond this figure. Were the consumption of dry cells to increase to one cell per capita, it is not unreasonable to assume that a very substantial portion of this increase would be secured by the Company.

There is also another good reason for optimism which arises from the rapid increase in the demand for batteries for radio sets which has increased approximately four times in the last five years. This growth in demand for radio batteries is due in a major degree to the over-widening network of broadcasting stations presently erected and planned for the future by Government.

There is also another good reason for optimism which arises from the rapid increase in the demand for batteries for radio sets which has increased approximately four times in the last five years. This growth in demand for radio batteries is due in a major degree to the over-widening network of broadcasting stations presently erected and planned for the future by Government.

STATUTORY AND GENERAL INFORMATION

MISCELLANEOUS:

(a) **Revaluation:** The assets of the Company were revalued as at 26th December, 1952 and particulars of such revaluation are given below:

Original Value	Value on Revaluation	Surplus
Rs. 64,65,164	Rs. 79,80,889	Rs. 15,15,505

A reserve was created out of the total surplus arising on the aforesaid revaluation.

(b) Bonus Issues:

(i) The sum of Rs. 43,38,890 being a part of the balance standing to the credit of Profit and Loss Account as at 25th December, 1951, was capitalised and utilised for the purpose of paying up in full 4,33,889 shares of Rs. 10 each in the capital of the Company and these shares were allotted and issued on 23rd December, 1952 as fully paid up to Union Carbide and Carbon Corporation, a company incorporated in the United States of America.

(ii) The sum of Rs. 18,75,930 being a part of the balance standing to the credit of Profit and Loss Account as at the 25th December, 1954, was capitalised and utilised for the purpose of paying up in full 1,87,593 shares of Rs. 10 each in the capital of the Company and these

shares were allotted and issued on 24th September, 1955, as fully paid up to the said Union Carbide and Carbon Corporation.

(c) Cash Issue:

400,000 new shares of Rs. 10 each were allotted and issued to the said Union Carbide and Carbon Corporation at par on 2nd July, 1955 for cash.

(d) Minimum Subscription:

The minimum amount which in the opinion of the Directors is required to be provided in respect of each of the matters mentioned in Section 101(2) of the INDIAN COMPANIES ACT, 1913 is Rs. 30 lacs made up as follows:

(i) Cash Purchase Price of plant and machinery Rs. 33 lacs. (ii) Estimate expenses of this issue, Rs. 2,00,000. (iii) Repayment of monies borrowed in respect of the foregoing matters, Nil. (iv) Working Capital Rs. 4,00,000.

(e) Underwriting:

The shares now being issued have not been underwritten but the Company will pay brokerage as indicated below.

(f) Redeemable Preference Shares:

The Company has not issued and it does not at present intend to issue any redeemable Preference Shares.

(g) New Issues and Offer for Sale:

Save as mentioned above no shares or debentures have been issued or agreed to be issued within the two years preceding the date hereof. An offer for sale in respect of 4,00,000 shares of the Company of Rs. 10 each at Rs. 18 as 8 per share was issued by Union Carbide and Carbon Corporation, the principal shareholder in the Company on the same date as that upon which this Prospectus was issued.

(h) Payment of Commission:

No sums have been paid within the two years preceding the date hereof or are payable as commission for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any share, in or debentures of the Company or as discount in respect of shares issued.

(i) Payment to Promoter:

No sum have been paid within the two years preceding the date hereof or is intended to be paid to any promoter.

(j) Licence:

The licence referred to at the commencement of this Prospectus has been granted in respect of the Zinc Mill Project. No licences are necessary for the flashlight case project, the manufacture of polyethylene and the manufacture of industrial solvents, for which projects, Government approval has been given.

DIRECTORS:

The Articles of the Company provide that the number of Directors shall not be less than three nor (unless otherwise determined by the Company in General Meeting and, if required by law, sanctioned by the Central Government) more than ten.

Unless otherwise determined by the Company in General Meeting a Director does not require any share qualification.

The Articles provide that each Director shall be paid out of his funds of the Company the remuneration for his services the sum of Rs. 500 for each meeting of the Directors attended by him or such other sum as may be determined by the Company in General Meeting and also that the Directors shall be entitled to be paid all travelling, hotel and other expenses, properly incurred in connection with the business of the Company.

The Articles also provide that the Directors may appoint a Managing Director, Joint Managing Director or Manager of the Company of such terms as to remuneration as the Directors shall deem fit.

A Director who is absent from or who is about to leave the District in which the Directors' Meetings are ordinarily held for a period of three months or more may appoint, with the consent of the Board of Directors, any person to be an alternate Director during his absence.

No sums have been or will be paid to any Director in cash or shares or otherwise to induce him to become a Director.

POWERS OF DIRECTORS

The Articles provide that the Company shall be managed by the Directors who may exercise all such powers of the Company as are not, by law or by the Articles, required to be exercised by the Company in General Meeting. The powers of the Directors are, however, subject to any regulations, not being inconsistent with the Articles or the law which may be made by the Company in General Meeting.

INTEREST OF DIRECTORS

Mr. J. R. Galloway is the Managing Director of the Company and receives remuneration for his services as such. Mr. Galloway is also a Director of Alipore Estates Ltd., of which this Company is a shareholder.

Mr. J. E. Potts, Mr. F. J. Drane, Mr. T. G. Lewis and Dr. D. P. Antia are employed by the Company, and receive remuneration accordingly.

Mr. R. V. Farrell and Mr. J. K. Grassle are shareholders each holding less than 1/100th of 1% of the issued capital of Union Carbide and Carbon Corporation the principal shareholders of this Company.

Mr. D. P. Dunderdale is a partner in the firm of Messrs. Sunderson & Morgans, Solicitors to the Company.

Save as above, no Director has any financial or other interest in any of the property proposed to be acquired by the Company.

INDEMNITY

Every Director, Managing Agent, Manager, or Officer of the Company or any person (whether an officer of the Company or not) employed by the Company as Auditor shall be indemnified out of the funds of the Company against all liability incurred by him as such Director, Managing Agent, Manager, Officer or Auditor in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted, or in connection with any application in which relief is granted to him by the Court.

MANAGEMENT:

The Management of the Company is vested in and exercised by the Directors. The Company has no Managing Agents.

BORROWING POWERS:

The Articles provide that the Directors may from time to time raise or borrow for the purposes of the Company and secure the payment of any sums of money not exceeding the aggregate of its paid up capital and free reserves for the time being.

VOTING POWERS:

Subject to any special conditions or restrictions as to voting upon which any shares may be issued or may for the time being be held, on a show of hands every member present in person and entitled to vote shall have one vote for every share held by him in respect of each share of which he is the holder. There are no special conditions or restrictions attaching to the present ordinary share capital of the Company.

RESTRICTIONS ON RIGHT TO TRANSFER AND

VOTE:

The Directors may decline to register a transfer of any partly paid shares to a person of whom they do not approve and may also decline to register a transfer of partly paid shares on which the Company has a lien.

No member shall, unless the Directors otherwise determine, be entitled to vote at any General Meeting, either personally or by proxy, or to exercise any privileges as a member unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

CONTRACTS:

No property has been purchased or acquired or is proposed to be purchased or acquired, which is to be paid for wholly or partly out of the proceeds of this issue, save under Contract No. 4 below and also save as to part of the property purchased or to be purchased under Contracts included in item No. 9 below.

The following contracts, not being contracts entered into in the ordinary course of business, which are or may be material have been entered into by the Company during the two years preceding the date hereof:—

(1) With Puri Brothers, Contractors, New Delhi, dated 29th July, 1954, for purchase of land and construction of a bungalow at New Delhi. (2) With N. N. Majumdar, dated 1st July 1955, for lease of a flat in Calcutta. (3) With Property Development Trust Ltd., dated 1st July, 1955, for lease of a flat in Calcutta. (4) With Mackintosh Burn Ltd., dated 5th March, 1955, for construction work in connection with the Zinc Mill at a cost of Rs. 5,80,671. (5) With Calcutta Electric

Supply Corporation Ltd., dated 3rd November, 1955, for extension of electric cables to the Zinc Mill site. (6) With General Electric Co., of India Ltd., dated 15th November, 1955, for electrical installation at the Zinc Mill. (7) With Commissioners for the Port of Calcutta, dated the 18th July, 1955, being a lease for 30 years with options of renewal of 10 years each, of the Zinc Mill site at Transport Depot Road, Calcutta. (8) With Mr. J. R. Galloway, dated December 19th, 1955, appointing him Managing Director of the Company. (9) With various parties and of various dates between the 1st January, 1956 and 15th December, 1955 and represented by 28 Purchase Orders for the supply of materials and equipment for the Company's present and planned projects. These contracts are for various amounts from Rs. 1/- to Rs. 16,60,000/- and the total amount of the material and equipment covered thereby comes to Rs. 40,00,000/- of which approximately Rs. 27,00,000/- will be provided by the proceeds of this issue.

DOCUMENTS:

Copies of the Memorandum and Articles of Association of the Company, the Consent Order of the Controller of Capital Issues, the Licence from the Central Government referred to at the beginning of this Prospectus, the Contracts referred to above and/or copies thereof and the original of the abovementioned Auditors' Report as set out herein can be inspected at any time while the subscription list is open during the usual business hours at the Registered Office of the Company.

A Copy of the Company's Memorandum of Association is printed in this Prospectus and forms part of it.

APPLICATION AND ALLOTMENT:

Applications for shares which must be for 50 shares, or multiples of 50 shares, must be made on the accompanying official form and will be refused, if not so made. The application form, together with a remittance for the full amount payable on application, must be sent to the Managing Broker, or Sub-brokers or a branch of the State Bank of India, in India, the remittance being made by cheque or draft which, if it is desired to avoid payment of bank charges, must be drawn either upon the branch of the State Bank of India to which the application form and cheque or draft are being sent, or upon a Bank situated in a town in which there is a branch of the State Bank of India. If drawn on a bank elsewhere the appropriate bank charges must be included in the remittance, otherwise the application will be refused.

Cheques or drafts should be made payable to the "State Bank of India Account National Carbon Company (India) Ltd. New Issue" and should for the applicant's protection be crossed "A/c Payee Only". A separate cheque or drafts must accompany each application form.

Allotment will be notified by the despatch of an Allotment Letter but the Company reserves the full uncontrolled right of accepting or rejecting any application in whole or in part. Where an application is rejected or not accepted in full the whole or any balance of the application money received will be refunded to the applicant, in which event bank's commission, if any, will be payable by the applicant.

Share Certificates will be available for issue in exchange for Letters of Allotment on and after March 31, 1956, and each applicant who is allotted more than 100 shares will receive Share Certificates in lots of 100 shares, and such smaller denominations as may be required to complete the total number of shares allotted except when the applicants request Share Certificates in larger denominations.

BROKERAGE:

Brokerage at the rate of 4 annas per ordinary share will be paid by the Company on allotments made in respect of applications bearing the stamp of a recognised stockbroker.

Copies of this Prospectus and forms of application may be obtained from the Managing Brokers and sub-brokers at the addresses given above and from the Bankers named above, at any of their branches in India.

J. E. POTTS	For R. V. FARRELL.
J. R. GALLOWAY	For J. E. POTTS.
D. P. ANTIA	For J. K. GRASSLE.
FRANCIS J. DRANE	For J. E. POTTS.
D. P. DUNDERDALE	For T. G. LEWIS.
	For K. C. MAHINDRA.
	For A. K. MITRA.
	For Authorised Agent.
	For Authorised Agent.

Dated at Calcutta, December 27th, 1955.

KANKNARRAH COMPANY, LIMITED.

NOTICE is hereby given that an Extraordinary General Meeting of the members of the abovenamed Company will be held at the Registered Office, 4, Clive Row, Calcutta, on Friday the Twenty-seventh day of January, 1956, at 12-25 o'clock in the afternoon to consider and, if thought fit, to pass, with or without modification, the following Resolutions which will be proposed as Special Resolutions, namely:

1. That the Articles of Association of the Company be altered in manner following:

The following new Article 6A shall be added after Article 6:

"A. Subject to the provisions of these Articles, the Company shall have power to issue Preference Shares, carrying a right to redemption out of profits or out of the proceeds of a fresh issue of shares made for the purposes of such redemption or out of the sale proceeds of any property of the Company, or liable to be so redeemed at the option of the Company, and the Directors may, subject to the provisions of Section 105 of the Act, exercise such power in any manner they may think fit."

That the authorized Capital of the Company be increased from Rs. 70,00,000 to Rs. 95,60,000 by the creation of 25,000 Redeemable Cumulative Preference Shares of Rs. 100 each and that such Redeemable Cumulative Preference Shares shall confer on the holders thereof the rights and privileges set out in the Articles of Association of the Company.

That the Articles of Association of the Company be altered in manner following:

The first paragraph of Article 6, commencing with the words "The Capital of the Company" and ending with the words "... rights and privileges" shall be deleted and the following substituted therefor:—

"6. The capital of the Company is Rs. 95,60,000 divided into 30,000 Ordinary Shares of Rs. 100 each, 50,000 "B" Ordinary Shares of Rs. 100 each, 10,000 Preference Shares of Rs. 100 each and 15,600 Redeemable Preference Shares of Rs. 100 each with the following rights and privileges:—

(b) After Article 6(b) the following new sub-clause (c) shall be added:

"(c) The said Redeemable Preference Shares confer on the holders thereof the right to receive a fixed cumulative preferential dividend at the rate of 8 per cent per annum without deduction of Income-tax on the capital for the time being paid up thereon and the right in a winding up to payment off of capital and arrears of dividend whether declared or not up to the commencement of the winding up pari passu with the 10,000 Preference Shares of the Company and in priority to the Ordinary and "B" Ordinary Shares, but shall not confer any further right to participate in the profits or assets of the Company. The said Redeem-

able Preference Shares confer on the holders thereof no right to vote at General Meetings of the Company except:

(i) on any resolution placed before the Company at a General Meeting at the date of which the dividend due or any part thereof remains unpaid in respect of an aggregate period of not less than two years preceding the date of commencement of such meeting and for this purpose the dividend shall be deemed to be due half-yearly on the 31st day of March and the 30th day of September in each year in respect of the half-yearly periods ending on the preceding 31st day of December and 30th day of June respectively, whether or not such dividend has been declared by the Company; or

(ii) on any resolution placed before the Company which directly affects the rights attached to the Redeemable Preference Shares and for this purpose any resolution for winding up the Company or for the repayment or reduction of its share capital shall be deemed directly to affect the rights attached to such shares.

Where the holder of any Redeemable Preference Share has a right to vote on any resolution in accordance with the provisions of this Article his voting right on a poll as the holder of such share shall, subject to any statutory provision for the time being applicable, be in the same proportion as the capital paid up on the Redeemable Preference Share bears to the total paid up equity share capital, as defined in Section 85(2) of the Companies Act, 1955, of the Company for the time being.

The Company shall have the option to redeem the whole or any part of the said Redeemable Preference Shares at any time or times after the 30th day of June 1970 at a premium of five rupees per share on giving not less than three calendar months' previous notice in writing and such notice shall be sent by registered post or otherwise served as hereinafter provided specifying the date of redemption and in the case of partial redemption the number of shares to be redeemed, and the date of the drawing hereinafter referred to. The particular Redeemable Preference Shares to be redeemed shall be determined by means of a drawing all such drawings shall be conducted by the Directors in the presence of a Notary Public and also such of the holders of the said Redeemable Preference Shares who care to attend."

By Order of the Board,

JARDINE HENDERSON, LIMITED.

D. FORDWOOD,

Secretary,
Managing Agents.

4, Clive Row,
CALCUTTA-1.
30th December, 1955.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

		Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
		Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48	..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49	..	322.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50	..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51	..	416.1	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52	..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53	..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54	..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.4
1954-55	..	339.8	466.2	350.3	377.3	612.4	377.4	90.5	100.7	88.4	113.0
January 1955	..	310.3	432.9	344.3	375.5	568.8	363.9	90.6	100.7	88.4	113.7
February	..	304.3	436.2	339.5	376.8	558.5	361.4	90.6	100.7	88.2	114.2
March	..	297.0	412.8	333.5	376.3	553.3	353.7	90.6	100.7	87.4	115.1
April	..	283.6	398.6*	327.8	377.1*	541.2	345.4*	90.5	100.6	87.5	115.1
May	..	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9
June	..	281.8*	390.4	329.7*	370.0	567.4*	342.5*	90.8	100.6	87.5	113.2
July	..	309.7*	408.1*	329.6	370.9*	562.6*	355.6*	90.9	100.7	87.8	117.9
August	..	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.8	122.8
September	..	313.0	396.1	324.8*	368.8	566.3	353.2*	90.9	100.7	87.2	122.8
October	..	315.7	403.7*	329.8	371.2	559.3	357.2*	91.0	100.7	87.2	124.5
November	..	325.8	418.7	338.1	373.3	543.6	364.7	91.0	101.0	87.7	129.9
Week Ending											
12-11-55	..	329.7*	414.4	337.4	372.9	541.3	365.1*	91.0	101.0	87.5	129.0
19-11-55	..	320.7	419.5	338.4	373.6	542.4	363.2	91.0	101.0	87.9	130.8
26-11-55	..	322.2	421.4	340.8	373.7	542.4	364.5	91.0	101.0	87.9	131.9
3-12-55	..	322.0	421.6	342.2	373.1	541.9	364.5	91.0	101.0	87.8	131.4
10-12-55	..	323.2	428.1	343.4	372.7	542.5	366.0	91.0	101.0	87.8	131.0
17-12-55	..	320.4	440.7	345.9	372.8	541.9	367.4	91.0	101.0	87.8	131.7

† Economic Adviser's Series.

†† Reserve Bank Series.

* Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS (August 1939=100)

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100	Ahmedabad July 1927 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936 = 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	139
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	136	341	148	140	138
1955 January	335	358	217	132	324	372	370	126	333	141	136	134
February	329	345	210	128	310	384	361	126	326	137	135	131
March	328	340	207	127	310	377	360	129	321	133	133	130
April	324	340	205	126	311	352	353	130	314	129	129	128
May	320	338	204	122	315	335	351	128	307	131	129	127
June	317	333	211	123	317	347	359	131	311	131	129	130
July	324	340	224	120	325	371	364	136	316	134	134	133
August	325	341	229	134	329	375	364	137	318	136	138	134
September	317	333	224	133	327	373	—	133	322	138	137	133
October	315	331	225	134	—	—	—	—	323	—	—	—
November	—	—	—	136	—	—	—	—	—	—	—	—

† Base 1944=100

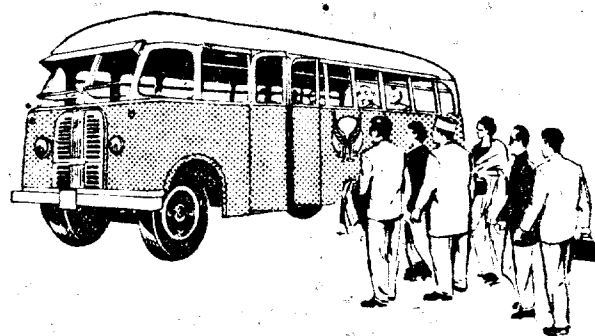
PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	31-12-1955			24-12-1955			17-12-1955			10-12-1955		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	94-7	93-3	93-14	94-7	92-15	93-15	95-5	93-7	94-11	94-15	92-11	93-14
Silver (per 100 fine tolas)	173-7	170-15	172-5	173-11	171-9	172-14	173-7	172-11	172-14	174-1	170-2	172-7

**I never realised
flying overnight
saves so much money!**



Time really is money to me. I can't afford to waste valuable working hours. That's why I chose IAC's night service. But I never realised how many other expenses it would save



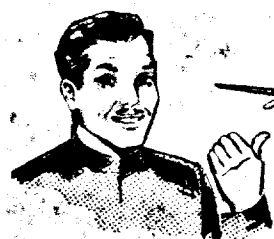
Travel to and from the airport costs nothing! An IAC luxury coach takes you both ways — so comfortable, quick and convenient



Airport staff take charge of your luggage, put it on the plane, load it on the coach when you arrive — there's nothing to pay



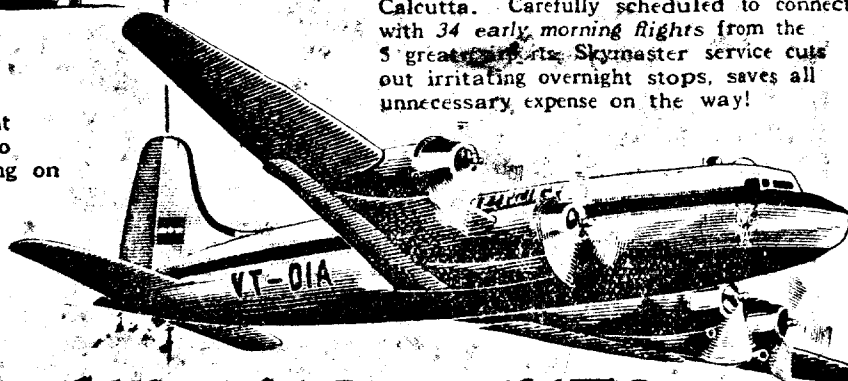
During the journey you are IAC's guest. And what a fine breakfast they give you at the airport — no extra charge, of course



After breakfast, you step straight into your connecting plane. No overnight stops — so you spend nothing on accommodation!

Now fly overnight by luxurious 4-engined Skymasters

New luxurious Skymaster services connect Bombay, Delhi, Madras, Nagpur and Calcutta. Carefully scheduled to connect with 34 early morning flights from the 5 great cities. Skymaster service cuts out irritating overnight stops, saves all unnecessary expense on the way!



INDIAN AIRLINES CORPORATION

Melhotra Building, Queensway, Delhi
Telephone: 40071 (4 lines)

For details contact an IAC booking office or your Travel Agent.

Printed and Published by Devi Prasad Sharma at the Hindustan Times Press, for "The Eastern Economist" Ltd., 82, Queensway, New Delhi. Editor:—E. P. W. da Costa, M.A. (Oxon.)

The Eastern Economist

VOL XXVI NO. 2.

NEW DELHI: JANUARY 13, 1956.

ONE RUPEE.

CONTENTS

Leading Articles:

INDO-AMERICAN RELATIONS: SECOND THOUGHTS	45
LEVELLERS AT WORK	47
THE REVISED RAILWAY PLAN	48
THE WEEK'S NOTES	51

Baghdad Pact in Troubled Waters; Pakistan's Unchanging Constitution; Uneasy Peace in Thailand; Visitors from the A New Scheme of Examinations; A Landmark in Industrial Relations.

A WINDOW ON THE WORLD:

Odysseus on "Whither Britain in 1956?" .. 55

A Delhi Diary

ECONOMIC REPORT FROM THE U.S.:

Farm Surpluses Present Countless Problems .. 58

WORLDGRAM AND NEWS IN BRIEF

Special Articles:

WAGES, PRODUCTIVITY AND INDUSTRIAL INCOME	62
INDUSTRIAL ARCHITECTURE—II	64

The Business World:

Unsealing Jute Looms	67
Economic Ties With Russia	68
Tussle Over Textile Targets	69

BUSINESS NOTES

Restricted Coffee Consumption; Expansion Programme for Coal; Insurance in 1954; Automobile Prospects; Stalemate in World Cotton Stocks.

COMMODITY NEWS AND NOTES

COMPANY AFFAIRS 74

CURRENT STATISTICS 76

Indo-American Relations: Second Thoughts

PERHAPS one should expect little in order to be gloriously surprised. Recent clashes of opinion, both at Government and non-official levels, between India and the United States had led to what, in stock exchange language, might be called a bearish outlook on expectations on Indo-American relations. Certainly the recent correspondence on the Dulles-Cunha statement and the Prime Minister's tactless reference at Agra to Russian overtures on Kashmir and Goa

did not give ground for hope that there was likely to be any silver lining to a darkening cloud. Here, as on the eve of the Geneva Conference, commentators have reckoned without a somewhat strange even feminine, characteristic of President Eisenhower. The State of the Union message this year was one of those fortuitous utterances by which the President has tended from time to time to mark himself off from his Government. Not, indeed, that the State of the

Union message or the statement made through the Secretary of State on January 11 on the need of American opinion "to wake up to the necessity of countering the efforts of the Soviet Union to penetrate South and West Asia" are different radically from official utterances on the same theme. The difference is in the tone. India resents John Foster Dulles; India cannot, and does not, resent Dwight D. Eisenhower.

It is, perhaps, in this division between the two men, both of whom in a sense represent American foreign policy to the Indian mind, that there is to be found one great hope in the improvement of Indo-American relations. Unlike his stolid and unimaginative Secretary of State, the American President has the capacity to feel far outside the State Department and even touch by intangible bonds the warm heart of the American people. The State of the Union message to Congress, which contains a specific reference to East Asia, bears the stamp of the growth of the strength of critics of the State Department's India policy. It is fair to say that there are critics in the United States as great as in this country. That is the strength of the United States, but it is, or at least should be, a solid opportunity for Indian diplomacy. If indeed it is true that Indian policy is based on a determination to be friends with all countries--and however mistaken the manifestations of some of our policy, that is the truth--we cannot afford to neglect the strong current of public opinion which is reflected in the President's Address to Congress and his statement of January 11.

It might now be taken for granted that a determined effort is being made by a minority of intelligent and farsighted public men in the United States to improve the current of Indo-American relations which has taken a serious blow as a result of mistakes on both sides. One important feature of this awakening in the United States is the evolution of a plan of aid or loan finance which will carry us through major difficulties in the second Five-Year Plan. If the order of such finance were two hundred million dollars per year, it might be said that the United States would of itself have solved our major foreign exchange problem in the next five years. Even if the figure is not of this order, it is now fairly clear that the contribution would be large enough to make a substantial difference to the second Five-Year Plan. It is true the restoration of the cut of ten million dollars for this year announced by the American Ambassador, Mr. Sherman Cooper, before he left this week for Washington, was only a token gesture. But all enquiries show that it was a herald of much more understanding of Indian economic progress than has appeared in recent years. The economic tide has turned; the political tide is about to turn.

How should a country, bent, as is our own, on the development of friendly relations with all countries, react to the new turn in certain sections of American opinion? Obviously there has been developed in the last four or five weeks a new set of channels of communication which are sympathetic to, even if they fail to agree on, the principles of Indian foreign policy. It is obviously the duty of the External Affairs Ministry, if it really means what it says, to give encouragement and understanding to our friends in the United States who are trying under very difficult circumstances to right a record which has been

heavily smudged by many verbal and written mis-statements of Indian foreign policy as well as by unwise pronouncements for which both Governments must take their own responsibility.

The suggestion that the state of Indo-American relations is entirely the responsibility of the United States and is in no way either the responsibility or the obligation of the Indian Union is unworthy of a great nation which can have no room for arrogance of this kind. If, as has been argued in the Annual Number of *The Eastern Economist*, we have failed as badly in the United States as the United States has failed in India, surely this is the time in which some major correctives can be applied.

Consider, for example, the strange incident reported this week from Orissa. Speaking at Cuttack on January 9, Mr. Nityanand Kanungo, Minister for Industry, seems to have said: "India has rejected an offer of 10,000 tons of wheat from the U.S.A. for the flood victims of Orissa because the American agencies wanted to supervise its distribution". The very next day this was denied altogether in New Delhi. It transpired that the United States Government had made offers of 10,000 tons of wheat and 10,000 tons of rice for distribution in the flood-affected areas and both have been accepted. How comes it, first, that a Member of the Government--fortunately not of Cabinet rank--should not know the facts on these transactions and secondly, that, not knowing the facts he could allow himself the wildest misrepresentation of policy? Under ordinary circumstances, misrepresentations of this kind would be serious. With Indo-American relations in their present state, it is nearly criminal. Almost the only good thing that has resulted from this incident is that the Indian Government and the Indian Press have been quick to nail a lie to the mast.

The Indian Press can, perhaps, do more in this direction than it has done all along. It has relied too often on initiative coming from the External Affairs Ministry, whenever it is a question of redressing the balance in India's foreign policy in favour of the West, while being quicker than, and even ahead of, the Government in being critical of Western policies and methods. Generally, however, there has been no strong or one-sided bias towards either of the two blocs since there is little criticism of the Government's leanings either way in its foreign policy. If the Indian Press can by itself take the lead more often in correcting the excess of prejudices against Western policies, instead of appearing to wait for the cue from one of the Prime Minister's speeches, outside observers may have a better appreciation of the state of Indian opinion than they have had hitherto. By and large, Indian newspapers have not been uncritical in their acceptance of Soviet professions of friendship or the dramatic offers of economic aid. But it is still true that newspaper opinion is largely influenced by the political overtones of India's relations with the West and these, unhappily, have been lately coloured by the problems of colonialism. Until India's interests are assessed more in terms of economic advantage, this corrective may be slow in coming.

All that need here be said is that the opportunity for the initiation of friendly moves with the United States is clearer today than it was two, three or four weeks ago. This looks like the time for action. Has the External Affairs Ministry given any thought to the form that it should take?

Levellers at Work

THE Draft Memorandum of the second Five-Year Plan captured the headlines last week because of two important proposals made therein regarding the goal of the socialistic pattern of society. The first is a suggestion for an annual tax on the total wealth of individuals; the second is a suggestion for the fixation of ceilings on personal incomes, of Rs. 20,000 per annum on salaries and Rs. 30,000 a year on all incomes, both net of tax. A third and more well-known recommendation relates to ceilings on agricultural holdings; the difference in this last case is that it is an integral part of a positive redistributive scheme of providing land for the landless. The taxation of wealth and ceilings on income have been urged not so much for the resources that they can transfer as for creating the psychological climate of equality and for the prevention of conspicuous consumption which is said to militate against it. These proposals have caused some jitters already in areas where they can do no good.

As demands at political levels, by groups strongly influenced by doctrinaire socialism, these are quite understandable, if not quite agreeable or logical. They cannot be seriously put forward as purporting to be proposals made in furtherance of the objectives of the Plan. The acceptance of the socialistic pattern of society did not by itself cast an obligation on the Planning Commission to work out, *suo motu*, certain policies which even whole-hogging socialism has not accepted. Is the Planning Commission drawing up a meaningful plan of development, consistently with the social, political and economic objectives and policies broadly accepted by the country through its Constitution and Government or seeking to lay down the outlines of a political manifesto for the party professing the socialistic pattern?

The Planning Commission's role in such matters would require to be re-defined because the "suggestions" are not just innocuous exercises in raising issues. A body of the standing of the Commission should have been in a position to make an expert appraisal of these proposals in terms of their practicability and their consistency with other objectives. The annual tax on total wealth, for example, has been considered already by the Taxation Enquiry Commission, which also had before it the practice in other countries like Japan and the Netherlands. The Commission ruled it out on the ground that the property valuations needed for such a tax would place upon the revenue administration a burden which would be disproportionate to the results in terms of yields. Nothing has been found since to deny or doubt this conclusion.

The question of ceilings on salaries and incomes, which presumably was intended as the counterpart of the ceilings on land-holdings, stands on a different footing from the tax on wealth. It has been put forward plainly for the purpose of levelling down, in spite of its proved demerit as a hindrance to economic development. There is no need to deny that the world today has moved far in the direction of accepting that glaring inequalities in income distribution cannot provide the impulse to economic growth, because they cannot provide the climate for a growing volume of production and consumption of material goods which determine the rate of that growth. Nor can it be overlooked that there has been a com-

plete recognition, even by avowedly socialistic opinion, that incentives for work and savings for investment can be found only within the framework of a reasonable system of inequalities. What is 'reasonable' may vary with time and place and no conclusive tests of reasonableness can be discovered. But there can be no doubt that the actual ceilings proposed by the Planning Commission have not been arrived at after due consideration or with a full sense of responsibility. India is not by any means attempting a unique and unprecedented objective by riding two horses simultaneously and seeking economic development with equality. The experience gained elsewhere in such attempts is highly relevant in considering this question and there seems to have been no attempt to profit by such experience.

The most extreme example is that of the Soviet Union, where there is now less equality than any of the welfare states of the West, perhaps less even than some of the purely capitalist States. There was a candid recognition in Stalin's "Problems of Leninism" that at least until a very high level of productivity was reached, distribution would not be in accordance with needs but in accordance with the work performed for society. The ideal of equality in rewards was thus foregone, even in the totalitarian context where the risk of destruction of the voluntary savings of the community could be taken deliberately so long as the public sector could, by severe commodity taxation, create its own savings for investment at a high rate. The maximum rate of personal income tax in the Soviet Union is only 13 per cent of income on workers and salaried officials, 55 per cent on artists and professionals with private practice, and only 65 per cent even on the non-co-operative groups. India, with a large agricultural sector outside the tax net, cannot claim similar competence to substitute in the public sector all the savings of the community. But even if it can, the conditions which compelled even Communism to accept inequalities to provide a system of incentives, cannot become inapplicable here.

Obviously considerations which apply to absentee landlordism or to the functionless rentier in imposing agricultural ceilings, cannot apply to the industrial and business sectors where the exercise of initiative is continuous, and depends only on the opportunities available for rewards. Nor can a ceiling on all private incomes be regarded merely as a counterpart of the ceiling on salaries considered desirable for the official sector. The official with his security of tenure, public status, and a highly circumscribed area of responsibility is quite different from the entrepreneur or industrial executive and manager who has to show skill, initiative, a willingness to undertake high responsibility and qualities of risk-bearing. The two cannot be placed on a par, nor, if placed, enforced uniformly effectively. Such ceilings can neither provide for the occupational differentials nor for the mobility needed to attract numbers to skilled or unattractive occupations. It is not anybody's case that all these purposes can be achieved through a totalitarian mobilisation or disposition of personnel, or that our goal is an all-embracing public sector which has little use for incentives of any kind. In the circumstances, these suggestions which may be good ballot-box socialism, appear to be highly unworthy of emanating from the Planning Commission.

The Revised Railway Plan

THE revised version of the plan for the development of railways can hardly fail to raise genuine doubts about the capacity of transport to meet other components of the second Plan. When the Railway Ministry submitted its plan a few weeks ago to the Planning Commission, some measure of pruning was considered inevitable in the interest of adjustment of competing claims for limited resources, particularly because the railways themselves are unable to contribute anything more than twenty per cent of the estimated outlay out of their own funds. But it was certainly not anticipated that their demand would be subjected to a drastic cut. The total investment in railway expansion which was placed at the conservative figure of Rs. 1,480 crores by the Ministry has now been slashed to Rs. 1,125 crores. The significant fact about this reduction of Rs. 355 crores is that it cuts into vital parts of the plan.

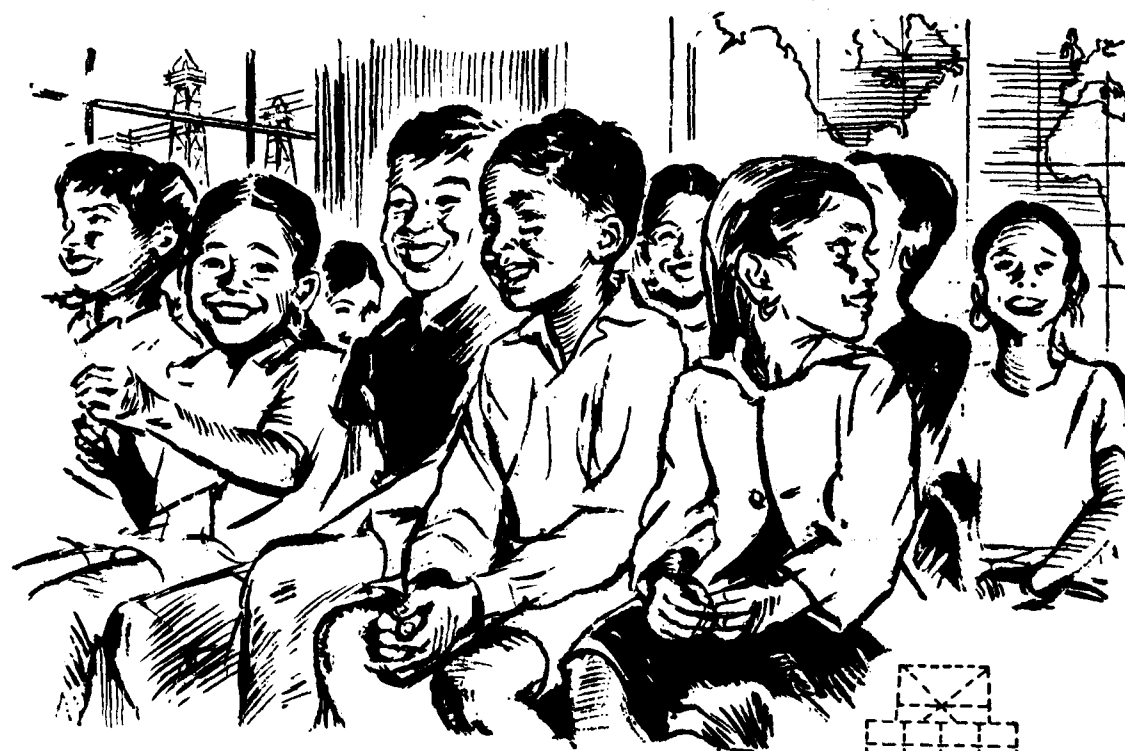
It is disconcerting that the pruning operation should have been carried into strategic items of the development programme. Rolling stock, line capacity works, track renewal and, next in the order of priority, construction of new lines are the major sufferers. The magnitude of overaged stock, still continued in service, was a compelling reason for maintaining the original allocation undisturbed and the progressive pressure of traffic during the next Plan period clearly dictated the urgency of augmenting the capacity of the track. All these priorities are implicit in the estimate of the increase especially in freight traffic. This increase has been assumed to be of the order of 51 per cent from 120 million tons to 181 million tons. The assumption takes into account the spectacular rise in three basic industries—coal, steel and cement—and rests on the anticipation of an increase of 5 per cent per year in the general category of freight. The anticipation about the probable volume of general freight is surely open to question; it is obviously an underestimate in the light of the stress that has been put on the development of industry in both sectors. In broad terms, the specific requirements of coal, steel and cement industries are believed to create between them an extra volume of 43 million tons, leaving a margin of 18 million tons for increase in all other traffic.

The net effect of the application of the axe to development expenditure on basic items is greatly to reduce the carrying capacity of the railways in both the sectors—freight as well as passenger. A reduction of 50 per cent has now been made in the provision for additional volume of passenger train miles, involving probably a larger measure of overcrowding. This need not be grudged and it is easy to reconcile with the revised allocation as a surcharge on austerity in travel. But any inroads in the supply of transport for freight must cause concern, as likely to upset the higher goals of production. The Planning Commission's revised proposals cannot fail to cause serious concern, even if the Railway Ministry's assessment of their direct impact on freight traffic is accepted as a correct approximation. The attenuated capacity of the railways will just be adequate to take an additional load of 40 million tons. At this level, it is bound to create a critical situation since the three top priority industries will not only absorb the entire additional capacity but hold a surplus without

transport provision. If the rest of the claims on the freight sector must be met in some rational proportion, a disturbing re-alignment in priorities for allocation of wagon space will be imperative from time to time, but not without a difficult effort to maintain the targets assigned to the whole range of projects in the Plan.

The task imposed on the railways is impossible and a fresh scrutiny of the Planning Commission's provisional allocations is obviously necessary. The rolling stock position has throughout remained vulnerable in view of which an economy of Rs. 80 crores, bringing down investment for it to Rs. 380 crores, seems quite misplaced. It pushes the proportion of stock to be replaced during the second Plan period below the volume of stock which will have to be retained on the track in spite of its overaged conditions at the end of March 1961. The size of such stock between the ages of 40 and 45 years is presumed to be about 1,800 locomotives and 28,000 goods wagons—an abnormal proportion when it is recalled that bulk of it relates to the broad-gauge. Reduction of expenditure on line capacity works to Rs. 165 crores has entailed a shortfall of 33 per cent in doubling of lines to merely 1,600 miles and likewise conversion of gauge at strategic sectors of traffic will have to be decreased to 260 miles—38 per cent below the Ministry's estimate. Track renewal at the diminished rate of 1,600 miles a year will be inadequate to eliminate the existing restrictions on speeds of trains and offset attempts to step up wagon turn-round. A conspicuous casualty of the modified outlays is the bold programme of construction of new lines. The altered provision of Rs. 63 crores in place of the Ministry's claim for Rs. 200 crores has forced the choice of restricting new construction from 3,000 miles to 850 miles—a marginal addition intended to meet the operational requirements of the railways and to create extra capacity for coal and steel projects.

The reduced outlay takes into account the urgency of the claims for four new workshops, rehabilitation of existing ones, remodelling of marshalling yards, bridge improvement and new construction as well as modernisation of signalling and tele-communications aids. Reservation of a separate amount of Rs. 50 crores for stores suspense provides a stronger safeguard against breakdown in projects for want of equipment. The overall programme of development is conducive to a vigorous effort for higher operational efficiency and there appears to be no reason why the Railway Ministry should not aim at a higher goal of improved efficiency than 10 per cent which it aims to achieve. Economies are still possible in certain directions—electrification Rs. 80 crores which includes extensions in areas where the traffic saturation point has not been reached and staff amenities which get an allotment of Rs. 50 crores or 150 per cent more than in the current Plan. Even so, the shortfalls in transport capacity will have to be overcome by seizing possible opportunities likely to arise from a greater availability of resources in successive phases of the Plan. The country and particularly the private sector in Indian industry will certainly stand behind the Railway Board in demanding a higher initial allocation. If this demand fails, everyone knows it will be, not the Railways, but the private sector which will go to the wall.



it's a **GREAT** job...

keeping thousands of workers fit and happy

Over 8,000 people are on the payroll of the Assam Oil Company—a great community, drillers and doctors, truckdrivers and typists, whose lives are centred round the winning, refining and distributing of oil. Helping to keep contented minds in healthy bodies—both in their leisure and their working hours—is indeed a formidable task.

Taking physical well-being first, Digboi Hospital is one of the most modern and best equipped in India. There are maternity centres and clinics readily accessible and a fully staffed Welfare Office. Malaria, which at one time affected three out of five workers, has been virtually stamped out.

More than 4,300 children attend the company's nine schools, which have a high record of Matriculation successes. Social clubs, sports clubs and playing fields cater for every kind of sport. Vegetable and flower shows, arts and crafts, stage plays, concerts—every form of hobby and recreation is encouraged.

In these ways the Assam Oil Company is glad to acknowledge the loyal service of its family of workers, engaged as they all are in a great national effort to satisfy India's oil needs from her own resources.



ASSAM OIL COMPANY

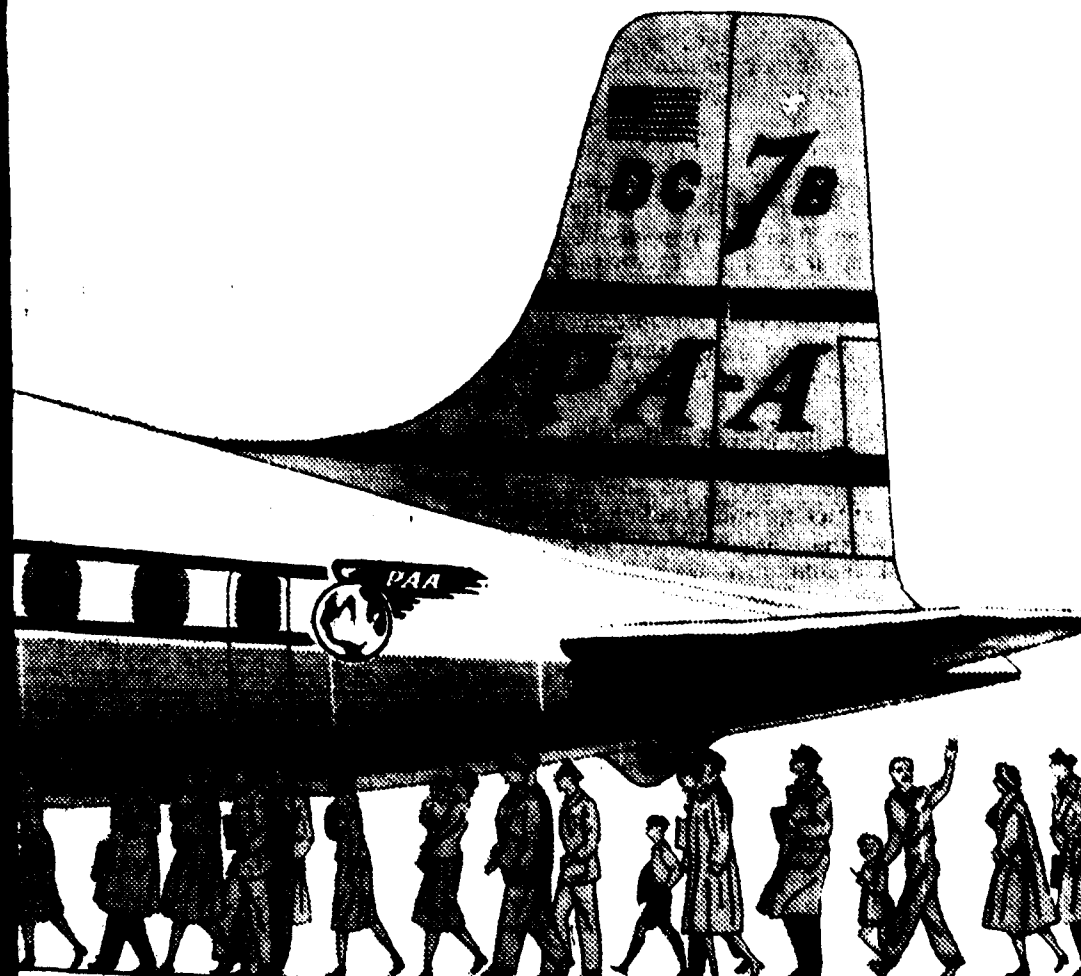
does it all



A member of the
Burmah Group of
Oil Companies

PROSPECTING · DRILLING · PRODUCING · REFINING

More than
50,000
TRANS-ATLANTIC CROSSINGS
a record made only by
Pan American World Airways
World's Most Experienced Airline



Another Pan American milestone
in overocean experience.

PAA

WORLD'S MOST EXPERIENCED AIRLINE

PAN AMERICAN

PAA 498 R1

THE WEEK'S NOTES

BAGHDAD PACT IN TROUBLED WATERS

IN TRYING to persuade Jordan to join the Baghdad Pact, Britain has landed herself in what may turn into a diplomatic impasse. Events of the last few days indicate clearly that the people of that Arab country are determined not to allow their country to enter the Middle East Defence Organisation if they can help it. There have been widespread demonstrations in Aman, the capital, Arab Jerusalem and other towns, and the offices of the U.S. Point Four administration, the U.N. Relief and Rehabilitation Administration and the British Middle East Bank have fallen victims to the popular anger. The Government has imposed curfew in all the affected towns and is trying to deal with the problem as best it can.

Trouble started when the dissolution of the Assembly by the King was held to be unconstitutional by the Constitution Council. It had been hoped that the dissolution would give an opportunity to the people to express their views on whether or not Jordan should join MEDO. When that opportunity was taken away, the people voiced their protest in the only other way left to them. The Cabinet, formed only three weeks ago, since its predecessor found itself unable to put over the Baghdad Pact to the people, has had to resign and a new Government has been formed. It is doubtful whether this cabinet will be acceptable to both the people and Britain. In any case, the draft of the twenty-year Anglo-Jordan treaty providing for Jordan's entry into the Middle Eastern defence system seems to have been consigned to the pigeon-holes of history.

It is understandable that Britain should have wanted one of her own proteges, for whose Arab Legion (officered by many Britains) she is giving an annual subsidy of \$21 million, in the MEDO, for that would have given her greater voice in that organisation. But Jordan's proximity to Israel should have warned her that pressure tactics may fail. Israel's Arab neighbours, and particularly their people, judge the West by their attitude to their quarrel with the Jews, and since Britain and the U.S. cannot take a stand which would satisfy the Arabs, they should have held their hand. (It is worth noting that it is only those Middle East States—Turkey, Iran and Iraq—which have no common frontier with Israel that have joined the MEDO). Britain's anxiety has only provided a handle to the extreme nationalists to demand the complete removal of all British influence from Jordan. Whether the Government of that country will succeed in "educating" the people appears doubtful and uncertainty hangs over the Western position in that part of the Arab world.

PAKISTAN'S UNCHANGING CONSTITUTION

THERE ARE few surprises in the draft Constitution of Pakistan which has at long last been published. The "Islamic Republic of Pakistan" will be a federation with a strong Centre. East and West Pakistan will be equally represented in the National Assembly. Only Muslims can be chosen as President and Vice-President; the former will be elected by an electoral college consisting of members of the National Assembly and the Provincial Assemblies each of which will have 300 members, and the latter by the National Assembly. The Cabinet will be answerable to the Assembly. For twenty years to come, English will continue to be the official language, Urdu and Bengali replacing it thereafter. Pakistan, like India, will continue to be a member of the Commonwealth even after becoming a republic. A notable provision—and surprising for a country which proposes that "no law shall be enacted

which is repugnant to the injunctions of Islam as laid down in the Holy Quran and Sunnah"—is the reservation of ten seats in the National Assembly for women for ten years to come.

A constitution is as good or as bad as those who work it make it, and so, it is difficult to say whether the Pakistan Constitution is good or bad at this juncture. If the people of Pakistan want to have an Islamic Constitution, the consequences will be clear. Technically, it condemns non-Muslims to an inferior status; they will not be equal before the law. By accepting the out-of-date theocratic concept—which is being abandoned even by the older Muslim countries—Pakistan will be positively complicating her minority problem, and indirectly, her relations with India. There was a faint hope for a time that Islamic fanaticism will fade out and that Pakistan's leadership will grow wise enough to see the virtues of a secular State, even though in practice, Islamic influences dominate the country. Pakistan's leadership has failed to persuade the people to agree to a secular democracy and there is some irony in the specific provision made to the effect that the President and Vice-President should be Muslims, since no non-Muslim can hope to get elected without Muslim votes in his favour. The absence of any mention of safeguards for minorities is a surprising omission. For that matter there is no mention of any fundamental rights as we know them. The Constitution has also handed on the task of deciding whether there should be a joint electorate or separate electorates to the National Assembly to be elected under the new Constitution. Why a decision on this point has not yet been taken when the minorities, for whose protection separate electorates are meant, do not want them will perhaps never be explained.

UNEASY PEACE IN THAILAND

THAILAND'S process of "democratisation" looks like coming to an unceremonious and abrupt end. With the permitting of public criticism of the Government and the passage of the Political Parties Bill, there appeared every likelihood of the country settling down to peaceful progress towards an elected form of government. But last week the Prime Minister, Marshal Pibul Songgram, made an announcement which has cast some doubts on this prospect. It had for some time been known that there was a rift between General Sarit Thanarat, Deputy Defence Minister and Army Commander-in-Chief, and General Phao Sriyanond, Deputy Interior Minister and boss of the police force. Ever since the latter was shorn of some of his minor but influential posts, while he was on a visit to the U.S. last August, reportedly as a result of the machinations of the former, there has been an uneasy truce between the two Generals. The police chief, it appears, then submitted to the indignity as a means of gaining time and he must be thinking that the opportune moment to retaliate is at hand.

The Prime Minister's surprising open avowal of conflict between two of his nominal subordinates has been variously interpreted as giving public notice to them to keep the peace and as trying to create public opinion against a resort to force. Whether he succeeds in achieving either object or not, it is quite possible that this one-time strong man has lost none of his fineness and may be quietly preparing for a showdown, if one there has to be. At worst he may carry out his earlier threat to resign in order to expel from the Government "black sheep" who are refusing to quit of their own accord. It would be a pity if Thailand should continue to follow the example of some of the Latin American States and make soldier-politicians promote coups d'etat.

VISITORS FROM THE WEST

LAST WEEK the capital was host to the Foreign Minister of Italy, Signor Martino. The visit of this statesman was memorable for more than one reason, though his was mainly a goodwill tour. As a member of the North Atlantic Treaty Organisation, Italy is in the Western alliance. But the communique issued at the end of the Nehru-Martino talks, expressing the desire of the two countries to work in close co-operation for the preservation of peace, indicates that Italy, like India, is primarily interested in maintaining peace in the world. Apart from co-operation in this task, there are many fields in which Indo-Italian co-operation can be fruitful. Already the trade arrangements between the two countries have been extended when Dr. Mattarella, the Foreign Trade Minister, was here recently. With the second Five-Year Plan on the anvil, this country is interested in getting technical assistance from all possible sources, and Italy can offer such help in many lines, particularly in the light engineering and fertilizer industries. It is to be hoped that economic co-operation between the two countries, which started with small-scale assistance at Sindri, will grow and expand into many fields.

The scope for collaboration in industrial techniques is wider with West Germany, and the visit this week of the Vice-Chancellor (Deputy Prime Minister) of that country, Dr. Bluecher, is expected to strengthen the bonds which have been forged in the last few years. West Germany's industrial recovery is almost complete and in 1955 she displaced Britain from the third place in the world as steel producer. With employment and production at peak levels, she is in need of markets for many of her products, and India can be one of her best customers. West Germany is already in the field of Indian industrial development with assistance for steel, coke oven and chemical plants. India's imports from West Germany have grown from Rs. 2.3 crores worth in 1949-50 to Rs. 39.0 crores in 1954-55; exports to that country have also increased—through not to the same extent—from Rs. 2.6 crores to Rs. 14.6 crores. It is to be hoped that whatever commercial and economic arrangements may be concluded between the two countries will provide not merely for greater trade but also for greater exports from this country.

WANTED: A NEW SCHEME OF EXAMINATIONS

ONE OF the important points which requires early attention in the process of reorganisation of the educational system is the devising of a proper scheme of examinations. In our schools and colleges, not a little of the deterioration in standards becoming more and more pronounced of late is due to the way examinations are organised. Along with fall in standards, surprisingly enough an increasing number of failures are becoming the order of the day. A Mysore University Council Committee, which tried to probe into the latter question, has come to the conclusion that the general overcrowding in colleges, arising from the insistence of employers—and Government in particular as the biggest employer—on certain degrees and diplomas as minimum qualification for entry into service, is the root cause of this. Obviously, overcrowding in colleges will continue so long as the insistence on degrees as passports to employment continues, and so the first step is to revise our present ideas of what qualifications are to be demanded of candidates for recruitment at the various levels.

But, if the quality of those who have the benefit of university education is to be ensured, this will not be enough. A radical change is needed in the nature of the tests which undergraduates, and everyone who wants to qualify at an examination, have to pass. At present, unfortunately, even university question papers follow a set pattern, with the result that it is often

possible with some luck to predict fairly accurately what questions will be asked at each examination. In these circumstances students are encouraged to concentrate on a few "probable" questions just before the examination rather than to study the subject in the way they should. Since, moreover, most of them are interested only in getting a degree, the choice of the subject of the course is often governed by whether it is "easy" or "hard". In this atmosphere the teachers develop a habit of lecturing by rote, and the few students who are really interested in the subject are left to fend for themselves. The way out is difficult and has to start at the point of recruitment for employment, so that only those interested in studying particular branches of the sciences or the arts, and qualified by temperament and ability to do so, will and need go up for higher education. This, however, would not affect the snobbish value of degrees for some time to come. There has been a misuse of the scientific courses because they have excluded a study of the languages and literature which involve more efforts on the part of the student. Some improvement can be effected if the science courses are made tougher; the mediocre students can profit more by the study of the humanities.

A LANDMARK IN INDUSTRIAL RELATIONS

THE AGREEMENT signed between the Tata Iron and Steel Company and its Workers' Union may well be the herald of a new era of industrial peace and progress. One of the major obstacles to rationalisation and consequent reduction in production costs has been the workers' opposition to any move in that direction arising from a fear that it would involve the throwing out of employment of a number of them. TISCO has secured the consent of the workers to the introduction of new and improved techniques of production and to the fixation by it of the normal complement of men required for each section and department by giving the assurance that no existing employee will be thrown out of work or suffer any reduction in emoluments as a consequence. This guarantee has been possible because, when the present expansion programme is completed, even more workers than are now employed are likely to be needed.

The company and the men have agreed to negotiate revised wage rates after the completion of the plant expansion programme and the work of job evaluation, thus ensuring to the workers a higher reward for higher productivity and a share in the increased earnings of the company. The wages of Jamshedpur town employees will cease to be on a par with those of the works employees after the new wage agreement is negotiated, though their wages will also go up. The agreement also provides for an immediate increase in the wages of lower-paid employees and clerical staff and larger gratuity benefits for those drawing Rs. 500 or less as basic pay or wages.

Much more important than the securing of the workers' acquiescence in a programme of rationalisation is the agreement between the company and the union to discuss and devise at an early date ways and means of progressively associating employees in industry at various levels and by gradual stages. It is significant that the country's biggest industrial venture has expressed the view that such association is desirable and would help in promoting increased productivity, in giving employees a better understanding of their role and importance in the working of the industry and in satisfying the urge for self-expression. With a fine record of labour-management relations, TISCO can have every hope that the participation of labour in management—for long a dream and an ideal—will contribute to the greater prosperity of the industry as a whole. It is, of course, necessary to add that this venture can be a success only where, as in this case, the workers do not look to third parties for inspiration and sustenance.

Always in the Forefront

In the forward march of Life Insurance in India, the HINDUSTHAN is, as it has always been in the forefront giving protection and security to millions of our people against possible hazards of life. The 48th Annual Report for 1954 once again reflects the soundness, integrity and strength which always have been so characteristic of the Society.

NEW BUSINESS
Over Rs 30 Crs 44 Lakhs

Assurances in Force ...	Rs. 110,98,20,653
Total Assets ...	Rs. 28,20,47,188
Life & Misce. Fund ...	Rs. 25,22,89,400
Premium Income ...	Rs. 4,87,95,367
Claims Paid (1954) ...	Rs. 1,23,32,153

BONUS
ON WHOLE LIFE—Rs. 17/8/-
ON ENDOWMENT—Rs. 15/-
PER Rs. 1,000/- PER YEAR

Shouldering the Future Burden of Millions—

HINDUSTHAN
CO-OPERATIVE INSURANCE SOCIETY, LTD.

Hindusthan Buildings, 4, Chittaranjan Avenue, Calcutta-13

• Branches & Agencies : All over India & Abroad •



STATE BANK OF INDIA

Successors to the Imperial Bank

The need of the day

Our country's economy is expanding rapidly and with the Second Five Year Plan in sight it will gather further momentum. The need for a strong and efficient banking system has never been greater than today as the nation's savings require to be pooled and managed in a resourceful, confident and prudent manner.

The State Bank fulfils these expectations. It has started upon a programme of opening 400 additional branches throughout the country within the next five years.

The State Bank of India offers to serve you efficiently in many ways. It takes care of your savings and valuables, lends moneys against goods, produce and other approved securities and assists you by accepting appointment as executor and/or trustee of your will or trust. Its wide and varied services are at your disposal. Why not talk things over with your nearest bank agent, or write for information?



The State Bank's branch at Delhi, one of more than four hundred offices waiting to serve you throughout India

STATE BANK OF INDIA

Largest of the Indian Joint Stock Banks

A Window on the World

WHITHER BRITAIN IN 1956?

By

ODYSSEUS

ALL OF US who belong to the sterling area have a vested interest in Britain's economic future (India at least to the extent of some 647 crores of rupees as a minimum to start with). It is therefore worth while to glance through the penetrating analysis of Britain's economy, and the hopeful forecast of her prospects in 1956, given in the December issue of the Review of the District Bank of Manchester by Roy Harrod, one of Oxford's leading economists.

What strikes Mr. Harrod as unhealthy in Britain's economy is not, as so many other commentators would have us believe, the spiral of wages and inflationary costs, but the marked lengthening of delivery dates that began when Britain entered in 1954 into a boom in industrial investment. Characteristic of this boom were the figures for new factory buildings started, which in 1954-55 were 62 per cent higher than in 1953-54 and 59 per cent higher than the average for 1949-53. This huge increase explains the troubles that followed. You cannot suddenly superimpose such a burden on productive capacity and expect no inflation.

The inflation was not due to consumption because the figures (at constant prices) show consumption to have risen by an average of 1.3 per cent in 1948-52, 3.8 per cent in 1953, 4.4 per cent in 1954, but thereafter there has been a marked slowdown to 2.7 per cent, which seems a reasonable rate that could be expected as normal.

Governmental expenditure on goods and services did not rise in 1954, but the volume of exports rose by 7.3 per cent after having been roughly stationary for three years. Obviously this increase in the foreign consumption of British goods had more influence on Britain's manufacturing capacity than the increase in her domestic consumption.

The building spurt did not arise essentially from the immediate pressure of increased consumers' demand but, in Mr. Harrod's view, from a mood for expansion that swept through the minds of producers. For five years they had struggled through all the perplexities of the post-war period; then came the special problems that sprang from the Korean outbreak and from rearmament; in 1952, a policy of restraint led to a minor recession. But in the mean time, the Conservatives were removing controls and a return to economic enterprise (in the real sense of the word "enterprise") became once more a real and enticing possibility. The world of producers and risk takers began to think that a Socialist government with plans hostile to free enterprise was not after all inevitable at the next general election. Thus it was natural that it should have occurred to many entrepreneurs at once—unfortunately to too many—that the time was ripe for expansion or modernisation.

In 1954, expansion on plant and machinery rose (1948 prices) from £596 to £614 millions and total gross fixed capital formation rose from £1,741 to £1,826 millions. Mr. Harrod argues that these figures suggest not abnormal but healthy expansion and tries to clear up the confusion that has arisen on this point. It has been supposed that those economists who have advocated that the boom should be curbed think that

the amount of investment was too great. This is a misconception. What has been too great has been the volume of orders on investment account.

It is in the difference between (a) achieved investment and (b) orders on investment account that Mr. Harrod sees the basic cause of Britain's troubles, notably the lengthening of delivery dates which creates waste and confusion in Britain's domestic production, loses good will in foreign markets, and decreases incentives to try to increase foreign markets. It should therefore be the first aim of Britain's economic policy to induce a severe reduction in orders on investment accounts.

This does not mean cutting investment down at all. On the contrary, it can mean increasing investment, because if delays are removed, production goes ahead more efficiently.

NO SPECULATIVE BOOM

There are two types of boom. There is that in which all prices soar and all sorts of unsound financial pyramiding occurs. To prick such a bubble the bank rate should be raised. If one rise does not do this, the bank rate should be stepped up until it does, when prices will collapse and unsound positions be rapidly liquidated.

But there has not been any dangerous rise in British prices and no abnormal number of unsound financial positions are noted. It may well be that most of the 1954-55 plans for expansion were sound. Britain's boom arises from too many people trying simultaneously to do too many things, each item of which may be separately justifiable. There is no bubble to be pricked. Mr. Harrod urges that all that is required is a continuous credit squeeze to prevent new plans from being launched and new orders placed until order books are shortened. He does not suggest that the building of uncompleted factories should be interrupted. Short of that, those factories started in 1954 must presumably continue to generate inflation until well into 1956. Those economists who have called for a still higher bank rate are probably thinking in terms of a bubble boom that needs to be pricked. Britain's current boom can, however, only be lessened slowly. By deciding to embark on so many projects in 1954, Britain condemned herself to a weak external balance for a couple of years. To the extent that projects are good, they will have been worth the loss of some gold. Instead of an unproductive stock of gold, Britain will have increased productive capacity.

If this diagnosis, that Britain's inflation is not due to a rise in consumption or in wage rates but to expansion in development investment is accurate, then it is important that this should be understood by Britain's overseas customers, for if they attribute the inflation to a wages and costs spiral they will tend to sell sterling.

Looking ahead to 1956, Mr. Harrod lists three problems: (1) control of the boom in industrial investment; (2) the trend of wages, and (3) the trend of sterling.

GROUND S FOR SOBER OPTIMISM

He does not doubt that the boom will work itself out. He rejects the widely held pessimistic view that Britain's current creeping inflation has come to stay permanently. How soon the boom will be controlled depends on how early in 1954 the squeeze policy actually began to check plans for expansion. It may have taken effect sooner than is yet apparent.

Mr. Harrod agrees that if year after year wage increases are granted which exceed the rise in productivity, then the currency will be debased, but he says that because wage demands came fast and furious in 1954-55, they need not necessarily be expected to do so every year, and he reminds us that the increases in 1952-53 were moderate. Moreover, even failure to hold the wage line in 1956 would not be entirely disastrous; Mr. Harrod points out that substantial wage rises are being given both in the USA and in Germany. When the British industrial booms end, it will be easier to hold the line. There is no reason to despair; there is much knowledge and common sense among British trades union leaders who know that increases cannot be repeated indefinitely without lowering the workers' living standard.

Mr. Harrod urges that irrespective of the date when sterling is to be made convertible, a date which may depend on the course of events, it is vital to decide now whether to rely on changes in bank rate or in the exchange rate to correct short term maladjustments, for these weapons are mutually exclusive. When the exchange rate is flexible, the bank rate ceases to in-

fluence short term capital movements. Experience in 1955 suggests that the path to convertibility will be eased if the bank rate is used rather than the exchange rate. The external effect in the rise in the bank rate in February, 1955, was good, and the Bank of England has a long experience from gold standard days of the successful use of the bank rate.

The case against the use of the bank rate is that situations may arise in which an adverse balance of payments demands a rise in bank rate while the domestic economy requires plentiful credit. It was from this possibility that the suggestion for flexible exchanges was originally made. But recent events suggest that what affects the balance of payments is the actual rate of interest obtainable in the market, say, on Treasury bills. On the other hand, not one factor alone but a whole group is available to influence the internal situation towards expansion or towards contraction; requests to the banks as to how advances should be granted, directions to local authorities about their finance, etc. These techniques are new but they will be fully worked out in time. Mr. Harrod urges that the British Chancellor should decide on the alternatives of the bank rate or exchange flexibility at once, because it was postponement of this decision last spring which was the real cause for the need of an autumn budget; further postponement could have far more serious consequences for the whole sterling area.

To sum up, Mr. Harrod refutes the pessimistic view of Britain's 1956 prospects and puts the weight of his great authority behind a soberly optimistic forecast.

A DELHI DIARY

A POLITICAL BOOMERANG

JAUNDICE has been front-page news throughout the week. Thinking, in obvious error, that attack was a good form of defence, the Union Health Minister, Rajkumari Amrit Kaur, called a Press Conference on Tuesday at which she explained how "lack of co-operation" of the Delhi public made an improvement of public health in Delhi virtually impossible. Here, if anywhere, was a boomerang which recoiled at once upon its originator. I do not remember, in a long course of Press Conferences in New Delhi, one as heated as this. There was no gallantry shown; nor was the Press inclined to accept Delhi's misfortunes as Rajkumari Amrit Kaur suggested as a "natural disaster". To the argument that if the river had unfortunately not changed its course the water would not have been contaminated, the view is advanced that if the Health Ministry and the Joint Delhi Water and Sewage Board had not muddled their part in the transaction, Providence, however wilful, would not have succeeded in visiting Delhi with dire punishment for its sins. This argument on an act of God is certainly very misleading. Are we to assume that where "natural disasters" occur, human ingenuity and foresight have no function to perform? Again, are we to assume that the intervention of the Diwali holidays which prevented laboratory tests made it impossible for the Government of India to perform its other emergency functions? I leave alone the minor point that the jaundice virus cannot be detected in laboratory tests; nobody has yet discovered why that particular red herring about the Diwali holidays was ever introduced!

A MINISTER'S RESPONSIBILITY

There is no doubt whatever that the Health Ministry has come out of this whole transaction with its copy-book very badly blotted. Whether in point of fact the Ministry of Health is responsible for the actions of the Municipal Committee or that strange body called the Joint Delhi Water and Sewage Board is not a relevant political issue. Politics, like the law, is an ass. It is neither rational nor just. In the last analysis the Parliament of India is responsible for what the Constituent Assembly on the morning of August 15, 1947, described as "the governance of India." Parliament is, therefore, responsible to the people for any major failure of public duty, and it must hold the concerned Minister responsible. The Delhi Municipal Committee is not responsible to Parliament nor is the Joint Delhi Water and Sewage Board; they are responsible only to the Health Ministry. It is, therefore, no argument to suggest, as indeed is being suggested now that the Ministry of Health's responsibility should not be enforced by Parliament. Before the Parliament of the Indian Union, subsidiary Government departments have no status; the Ministry of Health must take full responsibility for the disaster that has overtaken Delhi.

THE DOCTRINE OF ATONEMENT

It is hard on Rajkumari Amrit Kaur that she should have to take responsibility for the misdeeds of others. But that happens to be the political apparatus which is adopted in Parliamentary democracies. It is quite certain that had a similar event occurred in the United Kingdom, for example, the concerned Minister would have been subjected to a searching enquiry in Parliament and may have been forced to resign. I do not suggest for one minute that Rajkumari should be compelled to resign, though atonement for someone else's sins is not for her an article of a foreign faith. She is one of our most competent and painstaking Ministers. I do assert, however, that there is a political problem here which has not received proper consideration.

The political problem is nothing more nor less than the virtual impossibility of bringing home to the public

sector in India the most glaring failures in its responsibility. It is all very well to say that a "high-powered" Committee has been appointed to probe into the facts. It is almost certain that this will lead to a dismissal or punishment of some subordinate officers responsible for an egregious mistake. It is, however, the whole principle of Parliamentary Government which is at stake; responsibility does not rest with any officials in a political sense; they are servants of their political chiefs. There must be some means by which the political displeasure of Parliament is made effective against a political chief. The resignation of a Minister may look a wholly unjust way of enforcing this kind of displeasure. But that is, in point of fact, the way that Parliamentary Government works in the United Kingdom and in some other Commonwealth countries. If we are working a Parliamentary democracy, we cannot ignore Parliamentary conventions.

Particularly now that the public sector is recklessly adding to its power and responsibilities, there should be a means of bringing home to its instruments penalties for failure. One should be able to censure a Minister without censuring the Government as a whole. If nothing should happen to political Ministers, except that they incur the Prime Minister's personal displeasure, Parliamentary displeasure against individual Ministries will never be established. I argue that when Parliament reopens, this will be a fit subject for an adjournment motion; I hope sincerely that it will not be ruled out on the frivolous ground that this is a State subject!

DR. FRANZ BLUECHER

I pass from domestic trouble to what is generally considered to be a welcome international event. This was the arrival on Tuesday of Dr. Franz Bluecher, Vice-Chancellor of West Germany. There has naturally been in New Delhi a great deal of speculation on the purpose of this "goodwill" mission, which is more distinguished than any that has come to Asia from West Germany. It is known that, apart from Dr. Bluecher's discussions with the Prime Minister, his eight advisers are having discussions with various economic Ministries on other subjects. The problem of technical assistance has already figured in these discussions. But technical assistance for what? We already have substantial arrangements with West Germany. On the Rourekela plant we have had nearly two years with Krupp-Demag; hundreds of Indian technicians have already been trained in Germany or here in association with this combine as well as with other firms. Unlike East Germany, which first made its impact on us through the Indian Industries Fair, our relations with West Germany are well established. Nevertheless the anticipation that Dr. Bluecher's visit will result in a widening of certain aspects of technical assistance seems not to be misplaced, at least on the argument which I find convincing, that there is no smoke without fire.

I leave to the economic prophets further analysis of the character of West German participation in our second Five-Year Plan. Let me refer to something far more cheerful. This was the reception given by Dr. Ernst Wilhelm Meyer, the German Ambassador in honour of Dr. Franz Bluecher on Wednesday evening. The residence of the Ambassador was gay, may I say, through instruments of gaiety not entirely connected with externals. There was much internal warmth displayed. I adhere to the views expressed last week. Long may Western forms of entertainment continue to endure or rather, if cocktails must absorb so much of Delhi's precious diplomatic time, please let them have some virility and virtue of their own!

ARGUS.

9 NON-STOP FLIGHTS EACH WEEK to KARACHI



from DELHI and BOMBAY

Four weekly flights from Delhi; five from Bombay. Superlative service aboard to make your journey most enjoyable.

Excellent bar service. Courteous cabin attendants. No extra fare. Enjoy your next trip to Karachi... fly with P.I.A. — for new standards in air travel.

See your Travel Agent or Pakistan International Airlines



BOMBAY
Airlines Hotel, Churchgate
Phone: 37151 Ext. 4

DELHI
Metro Hotel
Phone: 42645

CALCUTTA
36 Chowringhee
Phone: City 5231-5232

PAKISTAN INTERNATIONAL AIRLINES

Economic Report from the U. S.

FARM SURPLUSES PRESENT COUNTLESS PROBLEMS

(BY GUY SIMS FITCH)

WASHINGTON, Jan. 10.—Of all the economic problems facing the United States today, none is more pressing or complex than the agricultural situation. Governing the Administration's attitude is the awareness that any solution to the US farm problem inevitably involves the welfare of many other countries. For at its heart is the accumulation, over a period of years, of huge and all but unmanageable surpluses of wheat, corn, cotton, rice and other products. It is this surplus, then, that receives the most direct and most vigorous attack. This confronts the US with a moral as well as an economic problem. As the President points out in his message: "It is unthinkable to destroy food"—particularly when nutritional deficiencies still exist in many parts of the world. "Ultimately," Mr. Eisenhower says, "the stockpile must be used."

But to move them helter-skelter into domestic and world markets in quantities large enough to remedy present difficulties would threaten—perhaps shatter—international prices and trade. This would affect farmers everywhere, including those in the United States. The answer, then, as the President puts it, is to "stop encouraging the production of surpluses"—and to do it in such a way that future needs of a growing population at home and abroad will be adequately served.

The heart of the President's proposals is a "Soil Bank" plan, involving both short-term and long-term goals. To grant immediate relief to the American farmer, he recommends an "acreage reserve programme"—essentially a temporary deferred production plan. It would involve voluntary acreage restrictions on the part of American farmers, beyond limits already set and accepted, in return for Government payments in cash or surplus commodities. This is described as using the surplus to reduce the surplus. The second or long-range part of the Soil Bank plan is designed to foster sound and productive use of land that has been put to the plough but would have been better reserved for forage, trees, or water storage. The farmer would be asked to place in reserve those of his cultivated acres most in need of such conservation measures. The Government would pay a fair share of the costs of establishing this reserve—proposed to make up about 25 million acres in all—and would provide the co-operating farmer with certain annual payments for the length of time it may take to establish new and more constructive use of the land.

In the eyes of Administration officials, this two-pronged approach has a number of virtues. For the short run, it would help remove the crushing burden of surpluses, and at the same time provide an income to farmers—even during lean crop years—while the readjustments in stocks were being made. For the long run, it would bring agricultural production into better balance with normal peacetime markets and would lead to improved use of soil and water resources

for the benefit of future generations. In the process, it would help maintain the integrity of the traditional American family farm, now facing the pressures or rising costs on the one hand and falling agricultural prices on the other.

There will be renewed efforts, of course, to find both domestic and foreign markets for American farm commodities; in fact, a new Surplus Disposal Administrator is being appointed in the US Department of Agriculture for just this purpose. As one of his main tasks, he will try to regain for American farm products the share of international markets they have lost as world agriculture has recovered and expanded—often with US aid—since World War II. Not to be overlooked, however, is the President's expressed belief that his new programme "will ease apprehension among our friends abroad over our surplus disposal programme". For nowhere does the message he has sent to Congress call for the kind of unrestrained sales of US surpluses on world markets that critics in other lands have feared.

THE INDIAN OVERSEAS BANK LTD.
MADRAS

(Incorporated in India)

Through a network of branches in India, Burma, Ceylon, Malaya, Thailand & Hong Kong and our correspondents at all important commercial centres of the world, we are in a position to offer the most complete Banking Service to Businessmen and Manufacturers engaged in the export and import trades.

Service is our motto

General Manager: Mr. C. P. Doraikannu

WORLDGRAM

AGRICULTURE

Contribution of C.T.O. to Food Production: Over one million acres of 'Kans' infested land in Central India and about 41,000 and 48,000 acres of jungle land in Uttar Pradesh and Bhopal respectively have been reclaimed so far by the Central Tractor Organisation of the Government of India for agricultural purposes. Taking yield from fallow and prior cultivated but Kans infested lands on the basis of 8 and 2 maunds per acre respectively, the annual additional production per year from 1954-55 is estimated at about 2,00,000 tons of food-grains from the reclaimed lands. Having a strength of about 2,000 men, the C.T.O., operates today the largest fleet of heavy tractors in the world for agricultural purposes having 18 units, 3 divisions, 2 base camps and 270 heavy crawler tractors. The Central Tractor Organisation has also helped in the rehabilitation of more than 3,000 families of displaced persons from East Bengal, West Pakistan as well as political sufferers and ex-servicemen. They have been settled in the 'tarai' area of Uttar Pradesh where the malignant malarial and jungle land have been covered into prosperous agricultural farms and flourishing co-operative colonies.

Bombay Land Tenure Abolition Bill: The Bombay Land Tenures Abolition (Amendment) Bill, 1955, seeks to extend the time allowed to landowners in several cases to prefer claims for compensation and to allow the collectors to admit time-barred claims up to December 31, 1955, in certain circumstances. In the case of the Bombay Merged Territories and Areas (Jagirs Abolition) Act, 1953, the Jagirdars and others did not have enough time to prefer their claims for compensation in view of the fact that although the Act had come into force on August 1, 1954, its implementation had been delayed. The time allowed under certain Acts to tenure holders and others for the payment of the occupancy price for occupying occupancy rights in the lands held by them was also inadequate.

Jute Cultivation in U.P.: In order to provide impetus to the production of good quality jute in Uttar Pradesh and to create a healthy spirit of competition, the State Government has sanctioned Rs. 10,000 to be distributed as prize money among growers of fine quality fibre. Traders and manufacturers are also participating in the State-wide jute promotion drive. At a recent exhibition at Colonelgunj mandi, organized by the local Merchants Association, three cash prizes were awarded to producers of higher grade jute. Returns submitted by the Jute Grading party, now touring the State, reveal that the average quality of U.P. jute is improving. In Lakhimpur-Kheri, the party has so far graded 1,008 maunds of fibre. The percentage of grading outturn is in the order of 0.2 top, 36.2 middle, 42.7 bottom and 20.9 cross.

INDUSTRY

ISI Certification Mark for Magnesium Chloride: The Indian Standards Institution has granted a licence for the use of its Certification Mark to the Pioneer Magnesia Works Ltd., Bombay, in respect of magnesium chloride produced by the firm. The Standard Mark on the drums of magnesium chloride will indicate that the product is in conformity with the Indian Standard specification for magnesium chloride, technical. The Standard Mark consists of the monogram of the Institution superscribed by the number designation IS: 254. Apart from the consumption of magnesium chloride by the textile and chemical industries in India, a large quantity is exported to European markets. This is the first licence granted by ISI for a chemical product; the previous six licences, granted, were for electrical goods.

The Institution has at present under consideration several other applications for grant of licences in respect of other chemicals, metallurgical products and engineering and building materials.

Packing Charges for Cement: The Government of India had announced on March 27, 1954 that packing charges for cement would be fixed every quarter on the basis of the average of the maximum and minimum market price for packing material during each week of the immediately preceding nine months plus Rs. 1-4-0 per ton to cover incidental charges. On this basis, packing charges for the current quarter were fixed at Rs. 13-5-0 per ton. The packing charges for next quarter, commencing from January 1, 1956, work out to Rs. 13-7-0 per ton. The above packing charges are applicable to cement packed in new bags only. Packing charges for cement packed in old bags will be a matter for settlement between the buyer and the seller, subject to the maximum indicated above.

TRADE

U.S.A. Steel For India: The Government of India and the United States Government signed an agreement recently providing for the import into India one lakh tons of steel for the rehabilitation of India's railroads. With this agreement on steel the total amount of steel supplied by the U.S.A. to India under the Technical Co-operation Programme would come to over seven lakh tons. The new steel allotment will help in making up a deficiency of 249,000 tons required by the Railways during the fiscal year 1956; enable the Government of India to make necessary improvements in railway track facilities and obtain an increased supply of locomotives and wagons from Indian factories. The United States is also providing 100 locomotives and approximately 8,700 wagons to enable the railways to make up some of the balance of about 1,500 over-aged locomotives and 12,000 over-aged wagons which need replacement.

Indo-Hungarian Trade Agreement: The validity of the schedules attached to the Indo-Hungarian Trade Agreement is extended for a further period of one year. The Trade Agreement, which was signed on June 17, 1954, is valid up to December 31, 1957. It provides that the schedules of imports and exports attached to it would be revised every calendar year. Some of the important commodities in the list of exports from India to Hungary are: tobacco, tea, shellac, spices, wool, hides and skins, vegetable and essential oils. Some of the important commodities available for import into India from Hungary are: dyes, electrical equipment, textile machinery, tractors and agricultural machinery, laboratory equipment.

Indo-Iraq Trade Agreement Extended: Letters were exchanged at Baghdad recently for further extending the Trade Agreement between the Government of India and the Royal Iraqi Government. The Agreement which was due to expire on December 31, 1955, will now remain in force without any change for a further period of one year beginning January 1, 1956. The Agreement provides for the export and import of the following commodities in accordance with the import-export regulations in force from time to time:

Exports from Iraq to India: Animals, cotton, dates, foodgrains, gallnuts, hides and skins (light-weight).

Exports from India to Iraq: Food and agriculture products, timber and related products, textiles, fibres and bristles, rubber products, hides and skins and related products, ceramics, pottery, glassware and allied

industries, arts, handicrafts and jewellery, chemicals and related products, minerals and ores, machinery and metal products, iron and steel and their products, abrasives, belting, birds, films (exposed), linoleum, stones, precious and semi-precious.

*

Foreign Trade of India by Land During November 1955: According to the land-borne trade returns received in the Department of Commercial Intelligence and Statistics, the provisional figures of total value of foreign trade of India by land with Pakistan, Afghanistan, Iran and Burma during November 1955, are as follows:

Merchandise:			
Exports	..	Rs.	60 lakhs
Exports to Eastern Pakistan	..	"	23 "
Exports to Western Pakistan	..	"	22 "
Exports to other Countries	..	"	15 "
Merchandise:			
Re-exports	..		Nil
Merchandise:			
Imports	..	"	273 "
Imports from Western Pakistan	..	"	1 "
Imports from Eastern Pakistan	..	"	197 "
Imports from other Countries	..	"	75 "
TOTAL TRADE	..	Rs.	333 lakhs
TRADE IN TREASURE			Negligible

Balance of Trade:

The total value of exports fell short of imports by Rs. 213 lakhs.

*

Indo-Polish Trade Arrangement Extended: Pending negotiations for the conclusion of a fresh trade agreement between India and Poland, the current Trade Arrangement between the two countries has been extended as an ad interim measure up to March 31, 1956. Letters to this effect were exchanged at New Delhi between the representatives of the two countries. The current Trade Arrangement was signed on January 6, 1951 and was extended from time to time. It was last extended on March 31, 1955 and was valid up to December 31, 1955.

FINANCE

Central Aid For Silk Industry: Grants totalling over Rs. 9,08,000 have been sanctioned by the Government of India to six States, Mysore, West Bengal, Madras, Assam, Uttar Pradesh and Orissa, for the development of the silk industry. Mysore gets over Rs. 6,07,400. West Bengal has been given over Rs. 1,64,500 of which a sum of Rs. 93,447 is for implementing the scheme to expand the foreign race seed station at Kalimpong and Rs. 48,750 for the establishment of multivoltine disease-free egg station in Malda. Madras has been sanctioned over Rs. 84,000 of which a sum of Rs. 69,500 is for establishing a central hill rearing station at Coonoor. Assam has been sanctioned three grants amounting to over Rs. 49,000. Uttar Pradesh gets Rs. 2,500 for introducing improved rearing appliances in the State. Orissa has been given a grant for deputing officers to Assam for training in sericulture.

*

FOA Aid to Taiwan for Fertilizer Plant: Approval of the financing of the dollar costs, amounting to US \$13.2 million, involved in the construction of a US \$20 million chemical fertilizer plant in Taiwan has been announced by the Foreign Operations Administration. The Chinese Government in Taiwan will provide the equivalent of US \$6.8 million in local currency to pay for labour and materials. The new industry, consisting of an ammonia and a urea plant, will produce 85,800 metric tons of urea with a 44 per cent nitrogen content, the most concentrated form of nitrogen fertilizer known. The annual production of 85,800 metric tons of urea will equal over 180,000 tons of ammonium sulphate fertilizer in terms of nitrogen content, and would be worth between \$10 million and \$12 million at present world prices. This will be an important factor in main-

taining and improving farm production in Taiwan, where intensive cultivation is necessary and crops must be maintained by constant application of commercial fertilizers.

*

American 1955 Rail Revenues: American railroads earned an estimated \$10,100,000,000 in 1955, mostly by carrying freight, the Association of American Railroads reported recently. Total operating revenues are expected to be 7.7 per cent above those of last year. Freight-carrying revenues went up 9.5 per cent, to an estimated \$8,500,000,000. Passenger traffic continued the downward trend that has prevailed since 1952, and payments for the transportation of mail dropped off. The operating revenues derived from passenger operations in 1955 declined 4.2 per cent to 735 million, while mail revenues decreased by 8.1 per cent to 282 million. Total operation expenses of the railroads in 1955 amounted to \$7,600,000,000, an increase of 3.1 per cent. Taxes paid out by the railroads in 1955 will total \$1,100,000,000, an increase of 30 per cent over the tax bill in the previous year. Of the total sum, Federal income taxes account for 458 million dollars. Net income of the railroads, following deductions for taxes and other charges, was estimated at \$915,000,000. This was an increase of 34 per cent over last year's earnings. Indications are that the railroads in 1956 will spend more than one billion dollars on plant and equipment.

GENERAL

Second International Trade Fair in Japan: A second international trade fair will be held in Osaka, Japan, from 8th to 22nd April, 1956. The first one was held in April 1954. The displays, classified under twenty-one categories, include textiles, ferrous and non-ferrous materials and metal products, machine tools, machinery and equipment of all kinds, chemical products, etc. Total space of the fair ground is 1.2 million sq. ft, and there will be 1,500 indoor and outdoor booths, each 10ft X 10ft. Rental rates for each booth of 100 sq. ft. for indoor space are ¥72,000 or U.S. \$200 or £72. For outdoor space the rent per booth with roof is ¥36,000 or U.S. \$100 or £36; without roof, ¥25,000 or U.S. \$70 or £25.

*

Increase in Productivity of Indian Factory Workers during 1950-54: The productivity of factory workers in India showed a spectacular increase during 1950-54, according to the 'Indian Labour Gazette'. The period which synchronized with the first Five-Year Plan, saw the index of productivity rise by 43 per cent i.e. at an annual average rate of 8.6 per cent. The index of real earnings of workers during the same period registered an increase of only 14 per cent or an average annual rate of 2.8 per cent. During the period 1943-54 the rate of increase in real earnings of factory workers was on the whole, higher than that of productivity. While the index of real earnings during this period advanced geometrically at an average rate of 3.9 per cent per annum, the index of productivity was of the order of 2.7 per cent.

*

Development of Australian Tobacco Industry: Arrangements have been completed for a trust fund to finance additional research for the development of the Australian tobacco industry. Australian tobacco growers and manufacturers and the Federal Government will contribute to the fund, which will be directly administered by the Department of Commerce and Agriculture. The Government will contribute £A84,000 towards the capital costs of the scheme, while the growers and manufacturers will contribute a similar sum. Operating costs will be met partly from a levy on all Australian-grown tobacco sold and manufactured. The fund will finance tobacco research undertaken by the Commonwealth Scientific and Industrial Research Organisation, the State Department of Agriculture and other bodies.

NEWS IN BRIEF

INDIAN

The Government of India have appointed a six-member expert committee to consider the scope of an export credit guarantee scheme for the country in order to stimulate exports.

*

The Union Government have sanctioned a loan of Rs. 12.75 lakhs repayable in eight years, to the Malabar Steamship Co., Bombay for the purchase of a second hand ship for operation in coastal trade.

*

The biggest ever bonus settlement in India, which will benefit a million plantation workers in the country, was concluded in New Delhi last week at the Ministry of Commerce and Industry between representatives of industry and labour.

*

More than Rs. 100,000 worth of goods produced by Indian cottage industries have been sent to the Leipzig Fair beginning in Germany from January 28.

*

Negotiations are at present going on between the Governments of India and the U.K. for an agreement for avoiding double levy of estate duties on properties in India and Britain.

*

The Government of India have sanctioned a loan of Rs. 65 lakhs to Madhya Pradesh for implementation of urban water schemes and municipalities.

*

The National Newsprint Factory at Nepa Nagar, in Madhya Pradesh, will now begin producing 100 per cent Indian newsprint with the completion of the chemical mill, according to an official report.

*

The Geological Survey of India is conducting a survey on a 36-mile coal belt lying between Jangalgali and Kokakot in Jammy province.

*

Sindri has set up yet another record. On December 27, 1955, Sindri's production figure of Ammonium sulphate for the year reached 3,20,262 tons as compared with the target of 3,20,000 tons.

*

Life Insurance business in India touched a new high in 1954. As compared with 1953, the number of policies issued by Indian Companies increased by about 1,44,000, the sum assured by Rs. 75.14 crores and the premium income by Rs. 3.29 crores.

*

The earnings of Indian Railways from air-conditioned class from April 1 to October 31, 1955, were Rs. 35 lakhs as against Rs. 28 lakhs during the corresponding period of the previous year. During the current financial year 32 air-conditioned coaches have so far been put into service. In the previous year, the number was 21.

*

The Government of India have sanctioned during the current financial year Rs. 35,37,473 as grants to State Governments for the development of Libraries. India has about 32,000 libraries with a book strength of 71 lakhs.

*

32,016 students belonging to the Backward classes were awarded scholarships during 1955. The number of applications received for these scholarships was 58,381.

FOREIGN

Yugoslavia and Russia signed a one-year trade agreement at Belgrade recently, doubling their present level of trade to a total volume of \$70 million for 1956.

*

The Philippines will be the site of the American-backed atomic research and training centre proposed for the Colombo Plan area, it is learnt.

*

A new glass factory has started operating near Skoplje, Yugoslavia. Its present capacity is 42 tons daily in the department, where various kinds of glass wares are produced.

*

As a result of the Anglo-Swedish trade agreement for 1956, Sweden will be forced to buy more coal in the US. American coal prices in American ports are about four sevenths of Polish prices in Polish harbours.

*

An international industrial exhibition will be held in Rangoon at the end of 1956 and beginning of 1957. Twelve countries are expected to take part.

*

Sugar production in East Java, Indonesia, for the year 1955 is expected to increase 15 per cent over the 1954 output. The output in 1954 totalled 814,708 quintaa (1 quintaa = 100 kg.) while the 1955 figure is estimated to reach 996,000 quintaa.

*

The First National City Bank of New York announced the opening of a new overseas branch in Jeddah, Saudi Arabia. It is the only bank in Arabia and becomes the 66th of First National City's full-staffed overseas branches, offices and affiliates.

*

West Germany's investments in Canada amount to over \$21.7 million. German capital has been invested in more than 50 enterprises. The only other foreign country where German interests have more money at stake than they have in Canada is Brazil. The U.S. comes third in the list.

*

Indonesia has raised the export duty on rubber from 3 cents (rupiah) to 65.4 cents per kilo (equivalent to 2.22d. per lb.), with effect from 1st January, 1956.

*

The Federal Reserve Board announced recently that its 1956 survey of consumer spending and saving plans would begin in January 1956 in the twelve largest metropolitan areas and fifty-four small communities. The board seeks information on family incomes and financial status and consumer views on their own prospective financial situations.

*

Two more countries—Egypt and Ecuador have now completed action for joining the International Finance Corporation, the affiliate of the International Bank for Reconstruction and Development.

*

Large-scale production of plastic bodies for motor vehicles will shortly begin in Adelaide, South Australia. They will be made jointly by Lunn Laminates, one of the leading manufacturers in this field in the United States, and Freighters Ltd. of Melbourne, Victoria.

Special Articles

WAGES, PRODUCTIVITY AND INDUSTRIAL INCOME

(CONTRIBUTED)

DETAILED statistics of wages are hardly necessary to illustrate the recent increases in wages; the mounting wage bill is generally an accepted fact. And yet, the focal point of most of the labour unrest is wages. While the labour leader advocates rise in wages to improve the worker's standard of living, the industrialist pleads for reduction in labour cost to safeguard the competitive position of the industry. Which view is correct? An attempt has been made in this article to examine the question objectively. Reports on the annual census of manufacturing industries, issued by the Directorate of Industrial Statistics, Government of India, which contain massive industrial data, provide comprehensive factual and systematic basis for studying such problems. These Reports are available from 1946 to 1952; and this study relates to this period. The reference period is not long but significant enough for a country pledged to rapid industrial development.

The index number is a convenient device employed in the analysis of statistical series. We have accordingly worked out the general index of wages; and, in order to obtain the index of real earnings, the general index of wages is deflated with the all-India average consumer price index for working class. This is shown in the table below:

INDEX OF REAL EARNINGS

(Base Year 1946 = 100)

Year	General Index of Wages*	All-India average consumer price index number for working class adjusted with 1946 as the base year**	Index of Real Earnings
1947	114.1	113	101
1948	141.6	126	112
1949	157.2	130	121
1950	163.5	130	126
1951	181.5	136	133
1952	180.3	133	136

It will be seen from the above table that there has been steady rise in the index of real earnings, year by year, since 1946.

The importance of wages in the economics of industry may be indicated here by a brief analysis of the distribution of gross receipts. The gross income of the 29 industries amounted to Rs. 11,84 crores in 1952. Allowing for the cost of materials fuels etc. consumed and depreciation of the capital equipment in the manufacturing process, the value added by manufacture was estimated at Rs. 315 crores, i.e. 26.6 per cent of the gross income. The amount of salaries and wages paid in the same year was Rs. 200 crores, i.e., 17 per cent of the gross income or about 64 per cent of the value added by manufacture. The amount left for over-head

charges, taxes and profit was thus about Rs. 115 crores, i.e. 9.6 per cent of the gross receipts or 36 per cent of the value added by manufacture. (Information regarding over-head charges and net profits is not available). It will thus be seen that the important cost factor, after materials, in the manufacturing cycle, is labour.

While wages have risen, there is evidence of decline in labour productivity in recent years. This is revealed by the table below compiled from the census data.

INDEX OF LABOUR PRODUCTIVITY

(Base Year 1946 = 100)

Year	Index of productivity	All-India index of wholesale prices adjusted with 1946 as the base year	Index of productivity after deflation
1947	91.2	111.5	81.8
1948	131.0	137.5	95.2
1949	115.8	142.9	81.0
1950	134.9	150.2	89.8
1951	153.8	164.7	93.4
1952	136.2	145.1	93.9

Compared with 1946, the index of productivity shows a decline of 18 points in 1947. In 1948, it shows improvement of 13 points. In 1949, it again shows drop of 14 points. From 1950 and onwards there is steady improvement but the index in 1952 is still 6 point below the 1946 level. Complete census data for later years are not yet available. It is possible that there has been some further improvement in 1953 and 1954, because industrial production in 1954, it is estimated, was 8 per cent higher than in 1953 which was itself 5 per cent higher than in 1952.

The fact, however, remains that while wages have gone up, productivity has declined or lagged behind considerably. The concept of productivity needs a little bit of explaining here. Productivity is usually defined and measured as the ratio between the value of output of some product or class of products and the quantitative expenditure of particular types of resources used in the production of such items. The primary sense of productivity is the output (quantity or value) per head in a given period of time. In recent discussions of productivity it has also been used in the sense of intensity of labour efforts. The greatest interest has always been centred in the relationship between production and labour, the universal resource, and the term 'Productivity' is frequently used without qualification to refer this ratio. Rostas, has found in his studies that productivity generally increases with the size of the business unit. Investigations in U.S. industries also reveal that there is a clear-cut and perhaps even more obvious relation between increasing size of plant and increasing productivity than in Britain. Therefore, it should not be inferred from the indices given above that the fall in productivity is entirely or even mainly due to labour deficiencies. No doubt, there has been an appreciable fall in labour efficiency in recent years. But the fall in productivity can at best be ascribed only partly due to labour deficiencies. It must be remembered that productivity depends on several factors: adequate supplies of materials and power, sufficient and up-to-date capital equipment.

proper use of existing equipment and man-power and efficient management.

Moreover, labour cost should be viewed in relation to other elements of cost and/or total cost. Viewed in this perspective, the percentage of labour cost to total cost, during these years, has not varied to any appreciable extent. The following table shows wages as a percentage of total manufacturing cost in the 29 industries covered by the census.

WAGES AS PERCENTAGE OF TOTAL

MANUFACTURING COST

Year	Percentage
1946	17.9
1947	18.6
1948	18.0
1949	17.4
1950	15.8
1951	14.1
1952	16.1

The crux of the problem then is productivity and not labour cost. Indeed, as Percy Ford has said 'although wage rates have risen and weekly earnings increased, labour costs per unit of product may fall if the workers are stimulated to increase their output enough. Labour costs may rise without any increase of wage rates if for any reason their output falls or the management becomes less efficient in organising its labour. High wage rates and high earnings are not inconsistent with low labour costs per unit of output, if the workers are provided with elaborate machinery which enables them to turn out large number of standardised products at a great pace. There is still inadequate utilization of the installed capacity resulting in lower productivity and higher operational cost.

Unutilised capacity in our industries varies between 50 to 10 per cent of total installed capacity. In certain industries, such as power transformers, electric motors, sewing machines and cement etc. the utilization of installed capacity has been better as compared to previous years. Adequate supplies of raw materials and the continued improvement in Labour-management relations were the factors that contributed to the growth of output in these industries. India's industrial system is largely based on small-size units where economies of production are fewer and chances of waste greater. Of the 6,470 factories, according to the 1952 census of Indian manufactures, more than half have the average daily employment of less than 50 workers. Only 1 per cent of the factories have a daily employment of 5,000 and above. In the same way, the predominant form of industrial organization is individual proprietor and partnership firm and not the joint stock company. Fifty-eight per cent of the factories are owned by individual proprietors and partnership firms as against only 39 per cent by private and public limited companies.

Thus it is that real income from the industry in India has not shown improvement. Although, the value of gross output increased from Rs. 603 crores in 1946 to Rs. 1,184 crores in 1952, according to the census figures, the increase is more apparent than real. For one thing, the areas covered by the censuses have varied. For another, the number of factories to which figures relate was only 4,207 in 1946 as against 6,470 in 1952. Moreover, figures of gross output are not a satisfactory measure. We can take the value added by

manufacture which is regarded as a satisfactory measure of the income generated in the manufacturing sector of economy. It shows an increase of 49 per cent, being Rs. 315 crores in 1952 as against Rs. 211 crores in 1946. Even this comparison of the value added by manufacture in 1946 with that in 1952 would not be quite accurate without taking into account the changes in the areas covered by the census and the level of prices. To obviate these difficulties, we have expressed in the following table the value added by manufacture as (a) percentage of gross receipts and (b) percentage of total productive capital employed.

VALUE ADDED BY MANUFACTURE

Year	Value added by manufacture as percentage of gross output	Value added by manufacture as percentage of productive capital employed
1946	35	58
1947	33	60
1948	33	65.8
1949	27.9	53.5
1950	27.6	46.2
1951	26.6	48.7
1952	26.6	43.1

The above table shows that the ratio of value added to gross output—or to productive capital employed has been steadily declining from year to year in spite of the increase in the value of output. This is a disquieting feature which must be arrested by accelerating the rate of productivity.

Managements have a tendency to consider labour as responsible for decreases in productivity. The view is erroneous. Productivity does not measure the specific contribution of any single factor in production, be it labour, capital equipment, management or any other component in the whole process; instead it registers the combined results of all the distinct but interrelated influences that determine output per head. An outright reduction in wages is, therefore, neither indicated nor is a practical proposition. It is the prospect of raising the productivity at the existing wage level in the country which deserves our careful attention. It is instructive to note that in America both management and workers support the policy of high productivity in the realisation that the existing high standard of living in the U.S. and eventual security of labour depend on producing more at a lower cost.

Labour and management together can, therefore, devise ways and means of reducing the unit cost of production on the one hand and increasing productivity on the other. Reduction in cost can be achieved by a programme of orderly and systematic investigation of all cost factors and the possibilities of their reduction. Increase in output can be accomplished by conducting productivity studies. The I.L.O. Productivity Mission has been in India to show how productivity and earnings of workers in textile and engineering industries can be raised by the application, in selected plants, of modern techniques of work study, and plant organization, and in addition, where appropriate by the introduction of suitable systems of payment by results. The Mission in its interim Report has already shown examples of increase in productivity. It is understood that Government have under consideration the setting up of a National Productivity Centre. The vital importance of productivity is thus recognised by national and inter-national bodies in the pursuit of high levels of production and the development of full employment policies. Indeed, productivity is considered a cornerstone of the economy of the future.

* It is weighted arithmetic mean of relatives of wages obtained by workers in each of the 29 industries covered by the census. The relatives for each industry have been obtained by dividing the wages paid per worker per day in each industry in a particular year by wages paid per worker per day in the base year i.e. 1946. Weights have been assigned in the ratio of workers employed in each industry during the year.

** Source: Labour Bureau.

INDUSTRIAL ARCHITECTURE—II

By

BENJAMIN POLK

AT this point it is well to take note of a trend in American factory design which should not be adopted uncritically here. The construction of a 'box' type of factory without any windows or daylighting should be considered only for its functional advantages for certain very special processes especially those requiring full air-conditioning. The unlimited supply of light and air afforded by good fenestration should not be heedlessly discarded. In India the north lighted factory is often wrongly accepted as the only or best alternative to the box type for industrial buildings. In actual fact the unidirectional north light has certain disadvantages. Among these are heavy shadowing of the work, making machine layout a difficult thing at best. The north light also gives an uneven distribution of light at working level as compared to monitor lighting, the north lighted factory also requires a greater overall height of building for the same amount of daylighting which has its bearing on the cost of air-conditioning. In this connection too there is often a wholly artificial hindrance to good design, namely, badly framed factory building codes. These codes should be framed on a performance basis, as progressive codes the world over are now being framed.

Let us return to the first felt need—namely a floor plan and a site plan for the production flow programme which will perfectly fit the manufacturing process. The best practice not only indicates open unobstructed spans as we have noted above but also allocates accessories such as lockers, sanitation facilities or control rooms to mezzanine floors or even to subsidiary extensions of the building leaving the floor space free for the job of work in hand. In urban locations the entire question of multi-story layout may come up for review but where the nature of the industry permits, it is well to avoid the necessity for multi-story factories by allowing full scope to decentralist trends, gaining ground space for operational freedom and living space and amenities for employees as well. Here is just one more illustration of a point where technical matters of the provision of services, of foundation design, (which incidentally is a place where great savings can usually be effected if proper tests and experience are utilized)—to say nothing of the cost of land may all be complementary to wider concepts of town, social, and human planning.

The location, siting and orientation of the plant, particularly if it is a large one, is important. At Rourkela the Government of India has chosen an area well adapted to the auxiliary requirements of housing and town planning as well as to the needs of steel rolling. This wise choice of site can lead to the creation not merely of an industrial asset but of a social asset as well, with its reward in the effective level of well being in this area. Social psychology is a phrase used and misused abroad but it does indicate a trend toward the full use of human possibilities. In many cases all factors of the problem reinforce each other. To take up a small point, which, however, needs emphasis, it is well known that workers who are doing exacting visual tasks gain efficiency from the relaxation of the eyes by an outdoor view. Here, as at other points, the question of the size of the plant itself has a real bearing on the ultimate effectiveness of the operation. The enormous Willow Run plant of the Ford Motor Company at Detroit was found to be too ungainly in countless ways for efficient operation, thus proving the point, if proof be needed, that quantity is no substitute for quality, and the further point that quality in these matters is a subtle thing even for experienced hands.

Further, matters of appearance have a way of turning out to be matters of safety and good organization, as when overhead wiring can be eliminated in favour of cable trenches under floor level, or when the painting of exposed piping and conduit system by bright indicating colours gives both a pleasant pattern to the eye and a quick method of identification. Accoustical design plays its part also since an unnecessarily noisy factory will detract from efficiency.

Just a brief comment on the pre-fabrication of buildings may be in order because a good deal of confusion has resulted from failure to define terms. A pre-fabricated building part, such as an asbestos sheet or a window frame is very much a part of the technique of good construction. It is doubtful, however, if the pre-fabrication of buildings as a whole will ever be either desirable or successful because the required variations always (unless it be with very small steel structures) cancel out the hoped-for advantages of standardization. Or, if the logic of the method is allowed to win the day, the building will be ill-adapted to the given case.

There is no blinking the matter: Indian industrial practice on the whole is weak from the point of view of these wider concepts of factory architecture. The long term value of pre-planning the entire site, the importance of good maintenance, and the money values of good working conditions need to be more carefully assessed. Even the publicity value of a fine factory, fine both in function and appearance, could be reckoned in a statement of assets. If it is understood that architecture is not something 'merely added' as an amusing luxury if there happens to be time and money, then would investors demand from their architects—and get it—the same skilled economic analysis of a problem which they themselves give to their business affairs. The good results of this analysis can be seen today in a few plants in the Bombay, Ahmedabad, and Calcutta areas. Even here, when architects whose place of work is not India are called in, the result of a long-distance effort is often troublesome and dogmatic to say the least. The level of available, building techniques and the ease or difficulty of replacing or repairing imported fittings or parts are considerations usually not properly dealt with from a distance.

In short, to avoid the high cost of poorly planned structures emphatically means fitting the building programme to the financial programmes of the organization. But it does not necessarily mean selecting the cheapest give-away building system that seems ready to hand. It means making an informed choice of many possibilities to suit the given case. It is a technical planning process and the guidance of a team of technicians is needed with ideas focusing on the architect, the man who is at last responsible for putting them into three dimensions.

Before letting go of the subject of industrial architecture I would like to propose that we in India give more thought to the very wide ramifications of decentralization. The problem will be carefully stated and answered first by the Planning Commission itself, but meanwhile the smaller steps taken by each industrialist will count for much in the total pattern. It is to be assumed that the increased expenditure in the second Plan for transport will greatly extend the benefits of decentralization, and the establishment of new trading estates in the hitherto remote areas near the new steel

towns may act in the same direction. But only 'if', and the 'if' is highly important, lessons are drawn from the mistakes of Western industrialism, whether they be British mistakes, or American—or Russian mistakes. If we conceive of the Calcutta of the future as another New York or Moscow we are short-sighted. Western cities have abundantly proven the economic absurdity of megalopolis. But if on the other hand we wait for a corrective government-designed building programme to emerge, we shall have surrendered ourselves to the mercies of the Works Departments, where the thesis of this discussion is seldom practised. The course between these hazards can conceivably consist of semi-private organizations for urban land use guidance. Government and labour will have their parts in this. Human, administrative, cultural and economic factors will have to be synthesized, cultural and economic factors will have to be synthesized, but those persons most immediately concerned, namely the industrialists of India, large or small, are likely through the choice of factory sites, to play a decisive role in the near future in shaping our cities and our countryside. It would be well if these collective decisions made a planning pattern for the future of which we will be proud.

THE EASTERN ECONOMIST

(Subscription Rates)

	Payable in advance	
	India	Foreign
	Rs.	Rs.
Annual	50	66
Half-yearly	25	33

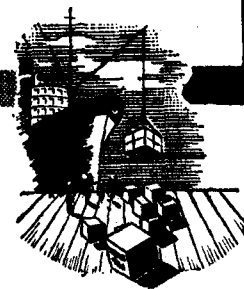
Copies delivered by air in Bombay, Calcutta and Madras at an extra cost of Rs. 9/- per year.

Foreign air rates on application. Offices in New York, London and Tokyo.

The Manager,

THE EASTERN ECONOMIST LTD.,
52, Queensway
NEW DELHI

India's Tea- India's Wealth



EXPORT:

During 1954 India exported 450 million pounds of tea. This is more than 2/3 of her total production. Exports were directed to Great Britain, United States, Eire, Canada, Egypt, Continental ports, Turkey, Sudan, Australia, New Zealand, Iran and other countries.



No other drink refreshes
you so much, yet costs
so little as **TEA**

PST 134

BOOK NEWS:

Company management presents a host of problems to the experienced Executive, Secretary, or Managing Agent, Lawyer, and Auditor. The provisions of the new Companies Act of 1955 are far-reaching and without parallel in any statute relating to companies in any part of the world. A reliable guide and a book of reference to the new Act is indispensable.

Within the pages of the book written by an advocate with a vast and wide experience of company Law and matters, one will find a lucid explanation of the statutory changes effected by this Act.

The important changes effected by the Act are explained in detail. The exact scope of the new amended sections and their operation and the extent to which legitimate advantage may be taken of the exemptions granted and exceptions made in respect of several matters are all set out clearly.

Buy a copy of this book today. It will save you and your office Time and Money. A book of great practical use.

A GUIDE TO INDIAN COMPANIES ACT

By A. Ramaiya, Advocate, Madras

Price Rs. 10/-

Postage Extra.

Published by:

The Madras Law Journal Office

Post Box 604. Madras-4

Concrete Roads



FOR BUILT-IN SAFETY

EASIER DRIVING:

Concrete's low crown
and even riding-surface
demand minimum driving effort.

SAFER DRIVING:

Wet or dry, concrete's skid-resistant characteristics ensure safer, surer stops. The gritty surface-texture of concrete helps tyres grip the road.

VISIBILITY FOR DRIVING:

Concrete's white-top is always visible—night or day, rain or shine.



ACC cement

THE ASSOCIATED CEMENT COMPANIES LTD.

Sales Managers:

THE CEMENT MARKETING CO. OF INDIA LTD.

587A'S CM-122

The Business World

UNSEALING JUTE LOOMS

THE IJMA has decided that, of the 8,000 looms which have been lying idle since the end of 1949, some 1,600 (this represents 2½ per cent of the total loomage and not 2½ per cent of the looms sealed) would be unsealed on and from January 9. This, however, is not considered "adequate" by those in the jute trade as distinguished from those engaged in the manufacture of jute goods.

It would be useful to recall in this connection the circumstances which had led to the sealing of 12½ per cent of the jute mill looms. With the decision of the Pakistan Government not to devalue her currency in 1949 and the consequent trade deadlock between the two countries, the raw jute stock position with the mills in India became alarming, forcing the mills to adopt restrictive measures. After various measures, such as smaller working hours per week, one week's closure in each month, etc., had been tried out to cope with the situation, the Third Principal Working Time Agreement was brought into operation on and from December 12, 1949. The Working Time Agreement has been designed as a stabilising instrument in the jute industry, as its productive capacity is much in excess of the world demand. Under this Third Agreement, working hours were restricted to 42½ hours per week, with 12½ per cent of the looms sealed, except that the smaller mills having not more than 220 looms were permitted to work 72 hours a week with none of their looms sealed. This Agreement was to remain in force for a period of 5 years. Since then, working hours have been raised by stages to 48 hours a week, but 12½ per cent looms continued to remain sealed.

The main reason why there has been this demand for unsealing is that, of late, there have been enquiries from U.S.A. and other countries for Indian jute goods. Pakistan's continued determination not to reduce the jute export minimum price has been a bitter blow to overseas manufacturers, while the price advantage, which Pakistan's jute goods should have had as a result of the devaluation of her rupee, has been largely neutralised by the fact that the quantum of her exportable manufactures is too small yet to make any significant impression on a jute-hungry market. It has, therefore, been urged that India should seize this opportunity and expand her production to the fullest possible extent.

The stocks of jute goods with the mills during the year 1955 have also been the lowest during the last 5 years, as the following figures would show:

a) End of period		Jute goods stocks in thousand tons.	
1951-52		98.6	
1952-53		138.8	
1953-54		86.9	
1954-55		87.6	
b) Period Production Mill Despatches Closing Stocks			
(thousand tons)	(thousand tons)	(thousand tons)	(thousand tons)
July, 1955	84.1	91.6	81.5
Aug. "	81.4	82.7	79.2
Sept. "	87.4	95.8	69.7
Oct. "	78.8	86.8	62.1
Nov. "	90.5	90.0	63.1
Average	84.4	89.4	

As the above figures show, despite sustained production, stocks have been continually going down because of increased mill despatches. At the end of November, 1955, stocks stood at 63,100 tons as compared with 1,27,000 tons when the looms were sealed in 1949. Stocks were below even one month's production. Since then, there has been further depletion of stocks. On December 10, 1955, stocks fell to 50,000 tons only (Hessian 21,300 tons, Sacking 24,400 tons and others 4,300 tons), a little more than only 2 weeks' production. Attended with this, mill despatches in recent months have been consistently above production. Average mill despatches at 89,400 tons per month (average of July-November, 1955) have also been much above the last year's average of 82,400 tons per month. Conditions in the jute industry can thus be described as such as to encourage the IJMA to make this decision.

This decision to unseal 2½ per cent looms is expected to increase monthly production by about 2,000 tons. The annual demand for raw jute will be about 1,40,000 bales only. It has, therefore, been contended in some quarters that this decision of the IJMA will not materially alter the existing position. The increase in production will be very small. According to them, the IJMA should have decided to unseal all the looms so that India could have earned more dollars.

There is some force in this argument. But an equally important consideration is the adequacy of raw jute supply to meet the increased requirements of the mills. In the final estimates for 1955-56, the production of jute in the Indian Union has been placed at 41.4 lakh bales. This estimate is exclusive of the Indian Mesta crop which may be estimated at about 5 lakh bales. The total Indian crop may thus be put at 46 lakh bales. The crop in Pakistan has also been exceptionally good, and in the third estimate the total estimate has been placed at 56 lakh bales. (Actual production may perhaps be 60 lakh bales). The total world supply may thus be estimated at about 102 lakh bales as against the estimated world consumption of 100 lakh bales. Statistically speaking, therefore, it appears that raw jute will be in adequate supply this year. Mills are, however, said to be experiencing some difficulty in obtaining raw jute. This is more due to the lack of adequate transport facilities, particularly rail facilities, rather than to any shortage of the crop. The reluctance of growers and middlemen to part with their crop is also responsible to some extent for smaller arrivals into Calcutta.

Just as the stock of jute goods has been the lowest during the last 5 years, so also is the stock of raw jute with the mills. At the end of September 1955, it had gone down to a mere 3 lakh 80 thousand bales which is the lowest in the history of the IJMA. The supply was barely sufficient for 3 weeks' mill consumption. Since then there has been some improvement in the position, and the stock of raw jute with the mills stood at about 8.3 lakh bales on December 10, 1955. In the circumstances, it is but natural that the IJMA favours a cautious policy in the matter of unsealing of looms.

In the normal course of things, the unsealing of even 2½ per cent of the looms should have given a slight spurt in raw jute prices. But there has actually been very

little rise in the same, as the decision would entail an additional annual demand for about 1.4 lakh bales only. One healthy sign, however, is that the downward trend of the raw jute prices, which had manifested itself due to the statistical position of the world raw jute supply, has been arrested.

It is rumoured that speculative elements in the jute trade have been disappointed that more looms have not been unsealed. They had been deliberately manipulating the market since November, 1955, to bring about a bearish tendency in jute mills shares; their "hopes" were shattered when the IJMA successfully resisted the pressure of a powerful minority group. As is well-known, after the preliminary announcement was made to unseal only 2½ per cent of the looms, the prices of both jute goods and jute mills shares firmed up. It is also rumoured that this minority group wanted to see a moderate rise in the prices of raw jute, not because they were solicitous about the welfare of the jute grower but be-

cause they had some interlocking interests as balers of raw jute. The decision to unseal only 2½ per cent of the looms has shattered this "hope" as well, while raw jute prices continue to rule firm, they have not shown any tendency to rise.

It is difficult to say at this stage if it would have been to the ultimate interest of India to unseal more than 2½ per cent of the looms. In the case of a commodity like jute goods, the future of which is largely bound up with the availability and price of raw jute on the one hand and competitive foreign demand on the other, it is elementary prudence to proceed cautiously. After all, although only 2½ per cent of the looms have been unsealed now, there is nothing to stop the IJMA to unseal a further number of looms later. On the other hand, it would have been most awkward indeed if, after having unsealed all or most of the jute looms, the IJMA were forced, by the logic of future events and circumstances, to re-seal some of the unsealed looms.

ECONOMIC TIES WITH RUSSIA

By
CROESUS

NOW that sufficient time has elapsed since the two top-ranking Russian leaders visited this country and also as the people of this country have had the opportunity to see at first hand, thanks to the Indian Industries Fair, the industrial achievements of Russia and her satellites, it would seem appropriate to assess the possibilities of closer economic relations between India and the Communist countries. Already a broad assessment of the extent of such possibilities has been made by 'The Eastern Economist' in the 1955 Annual Number, but the conclusion reached therein seems to me to proceed on certain assumptions such as, for instance, that India's per capita consumption of food grains may not increase perceptibly or proportionately with the rise in her per capita income and that Russia or her satellite countries would take our surplus agricultural production in exchange for, say, steel. It is doubtful whether Russia can meet India's needs in steel to any substantial extent after satisfying the requirements of herself and China, but, because of the propaganda value attaching to steel exports to India on the one hand, and Russia's need to acquire sterling, on the other, some steel exports could be expected. India also would be interested in Russian steel, if that could be had more easily and sooner than steel from other sources and the Russian prices happen to be more attractive. However, attractive these assumptions appear to be, there is the twin risk of India not being able to command, much less spare, the surplus agricultural products and of the U.S.S.R. or her satellites not wanting these, even if India could afford to export them.

As it is, the trade between the two countries may be said to have only just begun and understandably enough, therefore, it has been on a small scale. What are the prospects of an improvement in the volume of trade between the two countries in future years? The answer to this depends on what Russia is prepared to buy from India, even more than what we may be willing to import from there. If it is Russia's desire to purchase only raw materials from this country, India will not be particularly interested. For, in the first place, there is no dearth of markets abroad for India's raw materials. And, secondly, in the context of her growing unemployment problem, India is naturally anxious to convert as much of her raw materials as possible into manufactured goods so as to provide as much employment opportunity as possible and export only finished goods, of course after fully satisfying the requirements of the home market. To be more pre-

cise, one would like to know if Russia is prepared to buy our cotton textiles, jute manufactures, sewing machines, leather goods, textile machinery, radios, cycles, telephone equipment, automobiles, and locomotives. After what one saw of the industrial skill of Russia and, more than Russia, of her satellites, such as Poland, East Germany and Czechoslovakia, one would only be talking through one's hat as it were, to contend that India can find markets in the Communist countries for any of these, although a report in the daily press mentioned the possibility—rather strangely, it seems—of India exporting cycles. On their part, it is evident that Russia and other communist countries would need only raw materials like mica, iron ore, jute goods, etc., for which India is not having any great difficulty in finding markets. If, therefore, we cannot export raw materials to Russia and Russia, in her turn, is willing to take not our manufactured goods but only food grains, provided we are able to spare them, it follows that there cannot be a torrent of imports of steel, heavy machinery, etc., from Russia and only a trickle of exports of food grains from India. That would create serious problems of trade balance, foreign exchange, and all that. In other words, then, the chances of any sizable expansion in the volume of Indo-Russian or Indo-Communist countries trade do not seem to be bright. What 'The Eastern Economist' Annual Number has estimated must, therefore, be regarded as the outside limit.

As regards the extent of economic aid that India may expect from Russia, all the basis that is available to us to work upon is promises. It is noteworthy that every statement made by the Russian spokesmen during their visit to India on the question of economic aid has been beautifully—I was almost tempted to say 'deliberately'—vague. But, taking the distinguished visitors at their word—if one is prepared to risk it, after the way in which the Bombay Press was let down by them—one should proceed to estimate the total spare resources that Russia can command today, after financing all her atomic and hydrogen bomb projects. Would these resources, one must then go on to assess, be sufficient to go round all the Asian countries which Russia would want to befriend and help economically? If, with all her admittedly abundant resources, even America has thought it necessary to pare down the size of her economic aid to undeveloped and underdeveloped countries and the world trend also seems to be more and more to delegate the work of rendering economic

assistance to underdeveloped areas to either the existing or the newly-to-be-created agencies of the United Nations, it may not be very long before Russia also discovers her limitations and throws up her hands in despair. Frankly, the needs of the world's undeveloped and underdeveloped regions are so great that it is hardly possible for one or two nations, however, economically well-advanced they may be, to meet the challenge. In so far as India is concerned, one should not forget that, despite all the fondness towards her flaunted by the Russians, India could only rank as third or fourth in order of priorities for receiving any aid; she must necessarily come after the requirements of all the satellite countries, Communist China, and North Korea are satisfied. This is but natural, and I have held the same view even in regard to economic aid to India from America; in the case of America she has first to satisfy the needs of Latin American countries, then those of Canada, Western European countries, Philippines and other pro-U.S. countries like Kwamintong China, South Korea, and Pakistan, and then only come to the aid of India.

Finally, I must refer to one other question that people frequently ask: Is the rousing response that the Russian visitors have had an indication of the relatively greater leftist leaning that India is alleged to be having these days? This is a rather controversial question and, whether one likes it or not, the answer to it tends to distort the issue, inasmuch as it is bound to be more subjective than objective; if one is inherently of leftist persuasion, one would naturally hope it is so. Similarly, if one suffers from strong anti-communist inhibitions, one supposes it might be so; in this case, it is the product of auto-suggestion multiplied by the fear complex. Again, if one is a robust rightist, one would perhaps be inclined to dismiss the suggestion as unwarranted, if not farfetched. But, judging from the way in

which Bombay received the Saudi Arabian Ruler, and a few more distinguished visitors from other countries, I am prepared to lay a wager—if the Bombay Government permits—that, if Her Majesty the Queen of England were to visit India, she would have an equally, if not more spectacular and spontaneous reception, notwithstanding the fact that Princely India has today become only a historical relic. Indians will have to live through many more generations before they can forget the hoary precept that a monarch is none other than the Almighty Himself in the form of a human being. Be that as it may, I should not be mistaken to be disrespectful to the Russian visitors, or to any one else, when I say that there have been several occasions when crowds have gate-crashed the Vallabhbai Stadium, as, for instance, when King Kong was scheduled to wrestle!

But there is one explanation that I can think of to the undoubtedly great welcome that the two Russian dignitaries received throughout the country and even outside in other Asian countries. It is the fact, after having just begun to move outside the Iron Curtain region freely, they have aroused curiosity. Human psychology is such that the curious become curiouiser even if something that is normally familiar is forcibly sheltered behind barred doors. It is such a psychology, I reckon, that explains the public's overwhelming ovation to our Russian visitors. But I wonder whether the response will be the same if and when these very distinguished men visit our country for a second time. Already, as Argus has reported in the 'Delhi Diary', the enchantment seems to have vanished with the first touch. I am inclined to say that the remark of the unsophisticated villager—"After all, the Russians too are Europeans"—is as profound as it is simple. The moral of it all is that novelty—even the novelty of Messrs. Bulganin and Krushchev—will soon wear off.

TUSSLE OVER TEXTILE TARGETS

By
CROESUS

FOR reasons only known to them, both the Government of India and the Planning Commission are apt to see nothing beyond a selfish motive in any proposal or suggestion that cotton mill interests in Bombay and Ahmedabad may make. Personally I do not think it is any sin to be selfish. It is the way of all flesh. It is only when the degree of selfishness crosses the point where it clashes with the interests of the community or the country at large, that it has to be, and is rightly deprecated. In other words, one can be selfish—if it is selfishness to look after and safeguard one's own interests to the best of one's ability and, at the same time, be a patriot as well. One need not, therefore, be dismissed cavalierly as selfish or one's words discounted as such merely because one is an industrialist or a business man. Sir Shri Ram, Chairman of the Delhi Cloth and General Mills Co. Ltd., I think, drove home this point very well when, whilst addressing shareholders of the Company at the last annual general meeting, he said: "We industrialists are a much-maligned lot as some debates in Parliament during the year (1955) have shown. But I do wish to point out that most of us, at any rate, are not lesser patriots." And he instanced the role played by industrialists during the first Five-Year Plan period as a concrete proof of the patriotism of the industrial community.

Be that as it may, what I wanted to convey when I set out was that, at least because a Delhi industrialist has made the observations on some of the controversial aspects of the textile industry this time, I now entertain fresh hope that, even at this stage, Government and the Planning Commission would revise their attitude

towards the mill industry by viewing things in their proper perspective. Sir Shri Ram has, I believe, provided ample food for thought to them in this behalf.

The D.C.M. Chief referred to four important aspects of the textile controversy, namely the targets fixed for the mill industry under the second Five-Year Plan, the means of producing cotton cloth, the feasibility of Ambar Charka providing all the yarn required by the handlooms, and the consequences of the failure of Ambar Charka to come up to the expectations of its protagonists. In regard to all or any of these, Sir Shri Ram has said nothing new, but he has certainly highlighted the folly or short-sightedness of every one of these aspects.

In the first place, taking the targets for textiles proposed under the second Five-Year Plan, this Delhi industrialist has just compared the target of 28 per cent increase in textiles, with relatively higher percentage increases indicated in respect of sugar, Vanaspathi, paper, bicycles, and soap, and posed a sort of a rhetorical question, as it were, by asking the authorities themselves to see whether the respective weightages are properly balanced. And, in the hypothesis for the future per capita cloth consumption, it is noteworthy, he has assumed neither the 22 yards per capita estimated by the Millowners' Association of Bombay nor the 18 yards suggested by the Kanungo and the Karve Committees, but has taken the average of the two figures. At the rate at which the internal demand for cloth has been increasing at present, the figure of 20 yards per capita in 1960-61 errs rather on the side of conservatism and is by no means an exaggeration.

Although many may not relish Sir Shri Ram's frank view that "neither those who believe that handlooms could produce, nor those who believe that handlooms could not produce" (all the cloth required even on the basis of 18 yards, let alone 20 yards *per capita*) could be absolutely certain in their belief and definitely say they are right", I am inclined to regard it as a correct statement of the position. Both are arguing on unproven hypothesis. In the circumstances, the best course to adopt is to give the handlooms a trial and then arrive at an unquestionable conclusion on the basis of the results achieved. But, meantime, as the D.C.M. Chairman appropriately suggested, there should be nothing like a complete ban on the increase in cloth production by the mills or the big-scale industry. As he added, this need not come in the way of any subsidy or help to the handloom industry either.

Placing a complete ban on increased production by mills is a risky proposition; in the potentially inflationary context in which this is sought to be done, it carries with it grave risks. For instance, when a mill wants to replace its old or obsolete machinery for which it may have obtained prior permission of Government, under the proposed dispensation, there is the possibility of objection from the handloom interests to allow such expansion on the plea that it would lead to some increase in production by the mill concerned. The plea, it is true, is not specious, although it is fatuous. What will Government do when compared with a predicament thus?

It might be argued that this fear is exaggerated, for with so many mills not working second and third shifts, it should always be easy for Government to ask these mills to work double or treble shifts and make up the shortfall. That sounds easy enough, but how, in practice it is not so, is evident from Sir Shri Ram's view with over fifty years of his experience in the mill line behind it: "... there is a very big number of mills where the machinery is in such a bad state of repair, and so old and inefficient, that it would not be possible to increase the shifts, except perhaps in a mill or two here and there. In fact, if they had been in a position to run extra shifts, they certainly could have done so even now when the margin of profits is certainly above the average."

Now, under the new order of things envisaged, the **Ambar Charka** is to produce all the yarn required by handlooms and, in order to enable it to do so, place a ban on any new spindles installation by the mills. Apart from the higher cost that this would mean to the handlooms (if Sir Shri Ram's figures, or rather those from the A.I.C.C. Economic Review which he has quoted are any authority) there is the question of how far the 20 counts yarn would be acceptable to our handloom weavers. 20 counts yarn is certainly not the yarn required for the manufacture of **dhoties** and **saris** in many parts of the country, particularly in the South. Wherefore, the contingency arises that even if **Ambar Charka** can be organised to produce all the yarn required, many weavers may have to go without yarn raising the slogan (with apologies to Coleridge) "Yarn Yarn everywhere but not a shred to weave". Quantitatively also it is too much to expect **Ambar Charka** to produce the total requirements of yarn required by the handlooms themselves. That means, as Sir Shri Ram remarked, that "even those who believe that the handlooms could produce all the cloth required will find that, on the one hand, the increase in the mill production was banned, and, on the other, the handloom people, without the yarn, will not be able to produce, and there will be heavy shortage of cloth as a whole in the country with most deplorable results".

What will be the consequences if **Ambar Charka** fails to come up to the expectations of its protagonists? According to the D.C.M. Chief, this will hit our exports. It is Sir Shri Ram's view—this is supported by experience all over the world—that exports can only be possible of commodities for which there is a good home market. It is needless to explain here that, if exports fail to reach expected levels, there is always the home market to fall back on and to serve as a cushion to absorb the shock.

Secondly—and this is very important—when large-scale deficit financing to the tune of Rs. 1200 crores is envisaged, prudence dictates that all possible care must be taken to avoid any steps that would or are even likely to promote or add to inflation. Implementation of the Karve Committee's recommendations voluntarily, if not consciously, means courting inflation.

BUSINESS NOTES

RESTRICTED COFFEE CONSUMPTION

AN IMPORTANT fact which emerges from a survey of the internal marketing of coffee in the calendar year 1955 is that actual consumption in the second half of the year had to be kept below effective demand. Conditions were much better in the first half year except for the month of February and the quantity released during the period in the pool sales amounted approximately to 2,000 tons per month. In the second half, however, important considerations influenced the decision to lower the quantity of releases from the pool and the quantities offered were scaled down to 1,750 tons per month to start with and to 1,650 tons per month on revised estimate of the supply potential. The factors determining diminished releases from the pool in the second half year were to spread the stocks over the period as evenly as possible and to provide for a fair carry-over at the end of the year. Earmarking of a comfortable carry-over was found not feasible. The average monthly off-take from the pool stocks was 1,423 tons in the first half and 1,350 tons in the second half. The overall average off-take out of the total supplies from the four channels in the internal market, was of the order of 1,847 tons consisting of Plantation 805 tons, Arabica Cherry 423 tons and Robusta 619 tons. In spite of relaxed releases from pool sales, the off-take of Plantation and Robusta would have risen if only larger stocks could have been offered. The annual consumption stood last year at 22,250 tons and it would be a reasonable estimate to put it at the higher figure of 24,000 tons in the event of availability of adequate supplies.

Mr. K. Shrinivasan, Chairman of the Coffee Board, explaining the supply position at the Board's last meeting early this month, stressed that larger quantities had to be put up each month than either the stock position or average off-take figures indicated and even this liberalisation in releases could not stop prices from rising steadily. As a result of large offers of supplies than warranted by the stocks in hand, it has not been possible to maintain an adequate carry-over at the end of December. The estimate of the provision for internal consumption during the current year has been placed between 23,500 and 24,000 tons and a minimum carry-over of 5,400 tons at the close of December, 1956.

EXPANSION PROGRAMME FOR COAL

ANALYSING THE Government's approach to the problem of keeping the expansion of coal output in step with the rapid increase in demand under the impact of development projects, Mr. D. C. Driver dilated at length, in his presidential speech before the last annual session of the Coal Consumers' Association of India, how the astounding magnitude of requirements of coal in the third Five-Year Plan is dominating official thinking. Government's advisers have suggested the target of 100 million tons as the target of yearly production in 1965 and he emphasizes that it is not the target of 60 million tons for the second Plan but the much higher one for the third Plan which is shaping Government's policy on nationalisation. The estimates that are being advanced initially in respect of the third Plan will necessarily require much more accurate and scientific assessment and Mr. Driver enters into some statistical details to indicate in what directions official planners are likely to lapse into erroneous calculations by omitting to take note of sources of economy in coal consumption. Allowing for a margin of adjustment, the anticipated volume of demand raises the vital question whether the private sector can meet it adequately. He argues that wholesale nationalisation need not be launch-

ed, but coking coal collieries may be taken over by the Government in successive phases as necessity arises.

This trend to take a longer view ought not to be allowed to obscure the perspective for the second Plan. The unprecedented rise in the volume of demand on government account does not establish, *ipso facto*, an unanswerable case for nationalisation and State collieries have not rendered a showing that would substantiate such a case. The increase of 23 million tons envisaged for the second Plan need not be assumed to be beyond the capacity of the private sector to produce and assurances about its ability to satisfy a major part of the increased demand have already come forth from responsible quarters. Part at least of the confusion and apprehension caused over the prospect of nationalisation and compensation has been cleared recently. It is difficult to overlook the fact that during last week's discussion of private colliery owners with the Production Ministry over their plans for expansion, there was a shift from the erstwhile demand in regard to these two controversial issues. This aspect of the change in the situation is certainly much less important than the shift in the position which Government had taken so far. The allocation of the targeted increase in output in the shares of 15 million tons for the State and 8 million tons for the private collieries is no longer an article of irrevocable policy with the Government. Mr. K. C. Reddy's unequivocal clarification at the conference to the effect that there can be no rigid adherence to this apportionment of shares clearly implies a readiness to accept colliery owners' offers to undertake higher responsibility for a larger share.

INSURANCE IN 1954

THE EXTRAORDINARY increase in the volume of life business written in 1954 has been held out as the most spectacular feature of the developments in insurance in that year. New life business of Indian insurers rose steeply in 1954 to Rs. 213.13 crores in respect of 6,83,000 policies yielding premium income at the level of Rs. 10.57 crores. In relation to 1953, this constitutes an increase of Rs. 75.14 crores for 1,44,000 policies bringing Rs. 3.29 crores in the annual premium renewal income. The most pertinent fact about it is that it has been achieved in a year in which the economic situation was free from any unusual elements. The expansion of life insurance business in the post-war period reveals that 1947 was the year, excluding 1954, which registered a peak in increased life business of the order of Rs. 17 crores as compared to the previous year.

There is, however, hardly anything flattering about the spurt in the volume of new life business recorded in 1954 and it may be conceded that this sudden spurt ought not to be taken at face value. It is now common knowledge that the major explanation of this increase is to be found in the policy of reduction in premium rates introduced in that year. There was inevitable rush for making old policies paid-up and re-entering into contracts of new policies at attractive rates. Nevertheless, this was not the sole contributory factor. Improved mortality experience, higher yield from interest earnings and general improvement in the economy are links in a chain of developments imparting a healthy tone to life insurance business. Staff insurance schemes on attractive terms have contributed their bit to swelling the volume of business. The health of the Indian insurance business is in a sound condition by all criteria. The business written by Indian insurers outside India has also shown an increase. In non-life business, if the gross direct premium disclosed some

Fly TWA Now

and Save

Before fares
go up
on
MARCH 1st

Fly the Finest...

FLY TWA

TRANS WORLD AIRLINES
ASIA • AFRICA • EUROPE • U.S.A.

Saha & Rai Travels Ltd., Hotel Ambassador New Delhi. Reservation & Booking—Phone 45121/7.

decline, barring the case of marine insurance, its one reassuring feature was that the net premium income recorded an increase.

It is premature still to expect that harmful practices undermining the strength and soundness of the business will be wiped out immediately. Genuine complaints persist about the prevalence of rate competition, higher bonus declarations and improvised schemes of staff insurance on tempting terms. The Code of Conduct drawn up by the General Executive Committee of the Insurance Association of India for compliance by companies undertaking general business has started stimulating a wholesome tone in business practices. Nevertheless, the prevalence of excessive commissions and high rebates has directed attention to a search for a corrective. An effective remedy in the shape of a standard formula for adoption by insurers in respect of agents' accounts is being evolved. Management expenses continue to call for curbs in some cases, while the size of the lapse ratio urges unfailing caution in underwriting practices.

AUTOMOBILE PROSPECTS

THE OPTIMISTIC outlook for the Indian automobile industry in discernible from the better working results of Premier Automobiles, Ltd., which show a net profit of Rs. 5,86,717 during the year to June, 1955 against a loss of Rs. 13,44,485 in the previous year. During the year under review, the Company sold 2,162 cars and 4,657 trucks against last year's sales of 346 cars and 1,136 trucks. The Company also sold spare parts worth Rs. 66,22,246 against Rs. 38,53,610 in the previous year. The Company's sales during the five months to November 30, 1955 have reached Rs. 5 crores. The current boost to the automobile industry is partly due to the elimination of assemblers from the field. The first impact of liberalised imports of spare parts has also steadily exhausted itself. The recession of 1953 and 1954 began slowly to peter out in 1955, and it is estimated that the total production of vehicles will exceed 22,000 in 1955 against 14,000 in 1954.

The two main factors that influence the demand for automobiles are the standard of living of the people and the development of roads. The development programmes for roads under the second Five-Year Plan are expected to produce a healthy effect on the demand for motor vehicles, provided their prices are not unduly high. The present annual demand for trucks and cars is only 20,000. The main reason for this low demand appears to be the high prices of both imported and locally assembled motor vehicles. The problem of cheap motor vehicles, however, is beset with enormous difficulties. When America and Europe are manufacturing motor cars in millions, thereby taking advantage of mass production methods to reduce the cost, India with her present low annual demand of 20,000 cannot be expected to produce vehicles at a price that is within the means of the people. At present, the lowest priced Indian assembled baby car costs about Rs. 8,000, while the same car can be bought in the overseas market at half this price or still less. Considering the rapid industrialisation of the country which is expected to bring higher living standards in its train, everything should be done for the manufacture of the cheaper motor vehicles within the purchasing capacity of the people. There has been a constant demand from the public as well as from the Government for reduction of motor vehicle prices. Such reduction, however, can occur only when the volume of production expands. The Government of India has, meanwhile, referred the price question to the Tariff Commission, which is expected to rationalise the price formulae in such a way that the producer will be encouraged to produce more,

while the consumer will get his money's worth. There is considerable force in the prevailing feeling that the present restrictions on road transport should be reduced to the minimum so that there will be greater use of the roads through an intensive network of motor transport services.

STALEMATE IN WORLD COTTON STOCKS

The protracted difficulties encountered by America over its surplus cotton disposal plan have been given scant attention by most of the cotton producing countries of the world and even in the USA preoccupation with it is petering out. During the last five years, there has been excess production particularly in the net exporting countries. As a result, at the end of the 1954-55 season, the carry-over stocks in these countries, which have been steadily increasing from 1951 stand at 20.3 million bales as on August 1, 1955. From available indications, the increase in the aggregate stocks on August 1, 1956, will even exceed the 3 million bales increase estimated currently. In the event, the disequilibrium between supply and demand, which has been the bane of cotton for the past few years, will be more pronounced in the current cotton season and this would be watched with concern in world cotton circles.

Analysing the world cotton situation, the International Cotton Advisory Committee, Washington, in its latest monthly bulletin, observes that, in the short space of four years, carryover stocks have almost doubled and that, in view of a possible decline in the total disappearance in respect of US cotton, stocks in that country would increase by about 2.5 to 3 million bales.

If the rate of consumption in the major cotton producing countries has also been equally impressive, the degree of disequilibrium between supply and demand could have been minimised. But the consumption trend has almost remained static, the increase recorded in the United States, Canada and several Asian countries in the opening months of the 1955-56 cotton season being offset by a like decline in cotton consumption by Western Europe, Japan and the U.K. The main reasons for the lethargic performance on the consumption front were the decline in cotton textile exports and the uncertainty over cotton prices. While these were responsible for the setback in cotton consumption in Western Europe and the UK, in the case of America, a rise of 6 per cent in cotton consumption in the first quarter of this season was brought about by rising textile prices and the generally expansionary phase of the US textile industry.

A factor which will have long-term implications in regard to cotton consumption the world over is the significant decision, made recently by many of the producers of newer synthetics, to lower their prices. This new drive to offer price concessions by producers of man-made fibres may prove to be a thorn in the flesh and will work against any notable rise in consumption of cotton. It is true that synthetics like Orlon, Dacron and Nylon, even with their recent price reduction ranging between 20 to 30 cents per pound, are still much more expensive than either cotton or rayon, but it is quite likely that further price reduction may be announced as and when production and consumption warrant such a course. The disequilibrium between demand and supply, which has been characteristic of cotton for the past few years threatens to prolong the stalemate and unless prompt measures are taken the supply and distribution position of world cotton would continue to suffer from imbalance.

COMMODITY NEWS AND NOTES

INCREASE IN WORLD COTTON STOCKS

The International Cotton Advisory Committee in its December review of the free world cotton situation has said that the disequilibrium between supply and demand in recent years is reflected in the stock situation in net exporting countries. In the space of four years, carryover stocks have almost doubled, and, as things stand at the moment, the increase in aggregate stocks on August 1, 1956, at present estimated at some 3 million bales, is likely to be even larger than in previous seasons. The final estimate in the United States puts production at 14.5 million running bales, or some 140,000 bales under the previous estimate. With carryover stocks of 11.1 million bales and allowing for imports, total supply in the U.S. now stands at 25.7 million bales. With total disappearance in the U.S. this season of under 12 million bales, carryover stocks on August 1, 1956, would increase by between 2.5-3 million bales. According to the review, free world production prospects outside the U.S. may not be quite so favourable as earlier in the season. Aggregate production is now estimated at 16.3 million bales, up 500,000 bales from last season. The crop in India is at present estimated at 250,000 bales under last season's total, and in Pakistan it now appears doubtful if there will be any increase in production this season. Production in Turkey is estimated at 600,000 bales, compared with 630,000 bales last season and the official estimate in Egypt has been lowered to 1,760,000 bales. Prospects in Africa, however, continue favourable, particularly in Uganda, while in South Brazil early reports predict a substantial increase in cotton acreage, this season and, in Argentina, planting conditions have been quite favourable in recent weeks. Free World production is now estimated at 30.8 million bales, or roughly 1.5 million bales above last season. Carryover stocks were 20.3 million bales, so that total free world supply is expected to be approximately 51 million bales.

RECORD U.S. MINERAL PRODUCTION IN U.S.A.

Paced by the strong increases in fuels, copper and iron ore, mineral production in the United States jumped 11 per cent to a new level of \$15,800 million (£5,642 million) in 1955. The previous highest figure of \$14,400 million (£5,142 million) was recorded in 1953. Last year's total was \$14,100 million. Most significant developments of the year were in the copper and coal industries. Despite work stoppages in July and August, 20 per cent more recoverable copper was mined than in 1954 and, owing to world-wide demand, prices were spurred to the highest level in 90 years. This was a complete reversal of the situation of early 1954 when voluntary production units were made to avoid excess supplies. Estimated production of crude petroleum for 1955 was 2,469 million barrels, or 6,764,000 barrels daily, a gain of 6.6 per cent over 1954 and 5 per cent above the previous record year, 1953. Total value of crude petroleum at the well is estimated at \$6,839 million, compared with \$6,427 million in 1954. Estimated total demand for all oils in 1955 gained 7.4 per cent, compared with an increase of 1.3 per cent in 1954 over 1953.

COFFEE PRODUCTION IN INDIA

The 1955-56 coffee crop is estimated at 27,740 tons, made up of 18,175 tons of Arabica and 9,565 tons of Robusta. Seasonal conditions for 1955-56 were satisfactory on the whole. Out of the total estimated quantity, after providing for growers requirements for domestic consumption and seed, about 27,400 tons might be available for marketing. Out of 1954-55 crop, a total of 3,250 tons, consisting of 1,750 tons of plantation, 1,250 tons Arabica cherry and 250 tons of Robusta, were allocated for export. The price at sales was satisfactory. In another review, in the latter half of the year, it was found that some more Arabica cherry

could be exported and a quota of 275 tons was allotted recently. According to Chairman of the Coffee Board, Mr. K. Srinivasan, prices at pool auctions, ranged between Rs. 203-6-0 and Rs. 225-15-0 for plantation 'A'. Rs. 168-3-0 and Rs. 195 for Arabica Cherry Flats and Rs. 146-2-0 and Rs. 174-14-0 for Robusta Cherry Flats. The advance in prices was also partly due to the revision of minimum release prices on the basis of Rs. 2-2-0 per point as against Rs. 2-1-0 per point from April 1, 1955, and the enhancement of the excise duty from Re. 1 to Rs. 2-8-0 per cwt. from August 1, 1955.

EXPORT OF OIL CAKES

A fresh quota of 10,000 tons of oil cakes has been released for export during the first half of the current year or till the ceiling is reached. The oil cakes exclude groundnut, linseed, nigerseed, kardiseed, cottonseed, copra, and tobacco seed cakes. A maximum quantity of 200 tons has been fixed for an exporter from all ports, according to a notice issued by the Joint Chief Controller of Imports and Exports.

Another trade notice extends the period of validity of shipping bills, which were passed by the office of the Joint Chief Controller of Imports and Exports, for shipment by December 31, 1955, to the end of January this year in regard to the export of rice, bran, paddy bran, and rice meal.

The export of the following Commodities will, according to a third trade notice, continue to be licensed freely up to the end of June this year: Kardiseed cake and nigerseed cake and decorticated cottonseed oilcake.

The CENTRAL BANK OF INDIA, LTD.

(Established December, 1911).

Head Office:

Mahatma Gandhi Road, Fort, Bombay-1.

Authorised Capital	6,30,00,000
Issued Capital	5,77,50,000
Subscribed Capital	5,76,66,125
Paid-up Capital	3,14,54,250
Reserve Fund & Other Reserves	4,01,00,837
Deposits as at 31-12-1954	1,24,21,26,680

DIRECTORS

Sir Homi Mody, K.B.E. (Chairman).
Cooverji Hormusji Bhabha, Esq. (Vice Chairman).
Dinshaw D. Romer, Esq.
Dharamsey Mulraj Khatau, Esq.
Manmohandas Madhavdas Amersey, Esq.
C. P. Wadia, Esq.
Chimanlal Bapalal Parikh, Esq.
Framroze J. Gazdar, Esq.

Branches and Pay Offices in all important Cities and Towns of India, Pakistan, Burma and in London.

LONDON BRANCH: 159, Fenchurch Street, London, E.C. 3.

NEW YORK AGENTS: The Guaranty Trust Co. of New York, The Chase Manhattan Bank.

Banking business of every description transacted on terms which may be ascertained on application.

N. K. KARANJIA,
GENERAL MANAGER.

COMPANY AFFAIRS

ASSOCIATED CEMENT CO., LTD.

In tune with the rising tempo of development activity in the country, the Associated Cement Co., Ltd., earned a higher gross profit of Rs. 6.3 crores during the year to July 1955 against Rs. 4.62 crores in the previous year. The improved results are mainly due to the sharp rise in cement sales from Rs. 17.13 crores to Rs. 21.23 crores. The higher production and sales, in turn, can be partly attributed to the inclusion of the working of the Bhupendra factory of the Patiala Cement Company. Of the gross profit of Rs. 6.3 crores, managing agents' commission absorbs Rs. 51.56 lakhs against Rs. 32.96 lakhs, depreciation Rs. 1.07 crores against Rs. 85.67 lakhs, and taxation Rs. 2.14 crores against Rs. 1.34 crores. The net profit thus is Rs. 2.57 crores against Rs. 2.09 crores, of which bonus to employees absorbs Rs. 41.80 lakhs against Rs. 36.65 lakhs, plant reinstatement reserve Rs. 55 lakhs against Rs. 50 lakhs, and reserve for gratuities Rs. 15 lakhs against Rs. 10 lakhs. An allocation of Rs. 20 lakhs to development reserve has been made possible under the provisions of recent tax legislation, which provides for a development rebate of 25 per cent of the cost of new plant and machinery in determining assessable profits. The recommended dividend of Rs. 10 per share is the highest in the Company's history and works out at 6.1 per cent of the invested capital.

The work of rehabilitating the older units and modernising the plants is proceeding steadily along

with the various expansion schemes. The construction of the new cement works at Sindri with an annual production capacity of two lakh tons is almost complete. Work on a new factory at Mancherial in Hyderabad State is progressing. The Bhupendra factory is now in a position to make four lakh tons of cement a year as soon as the necessary power becomes available. Shahabad's capacity has been increased to 3.8 lakh tons and the extension of the Kistna cement works to 2.5 lakh tons is due to be completed early in 1957. Steps have also been taken to increase the capacity of the Chaibasa plant to three lakh tons.

In the context of the revised target of 12.5 million tons of cement production by the end of the second Five-Year Plan, the Company has ambitious expansion programmes to double its output. This, of course, will entail considerable capital expenditure, a part of which will be met from the internal resources of the Company and borrowings on the cash credit facilities available from the State Bank of India. The balance will be met by a further capital issue of Rs. 6.36 crores in the ratio of one for two shares at par, subject to Government's sanction. It is proposed to call up Rs. 50 per share on application, and the remaining Rs. 50 will be called up later either in a lump sum or in instalments.

The following table gives the summarised balance-sheets of the Company for 1954-55 as also for the previous two years:

(Figures in Lakhs of Rupees)									
LIABILITIES					ASSETS				
Year	Capital, Premium on Shares, Reserves & other Funds	Sundry Liabilities	Profit & Loss A/c	TOTAL	Fixed Assets Less Depreciation	Stocks & Stores	Book Debts & Advances etc.	Investments	Cash & other Balances
1954-55	1,887.14	1,031.32	132.81	3,051.27	1,711.98	703.81	245.48	73.17	316.83
1953-54	1,686.50	709.02	115.04	2,510.56	1,334.17	574.57	224.44	165.62	211.76
1952-53	1,600.97	511.72	104.07	2,216.76	1,101.36	621.01	123.31	158.12	212.96

THE MYSORE KIRLOSKAR LIMITED

The Audited Balance Sheet and Profit and Loss Account for the year ended June 30, 1955, show that after appropriating Rs. 50,000 towards a part provision for the Gratuity Fund, the net profit of the Company during the year amounts to Rs. 1,55,051 added to this last year's balance of Rs. 6,055 the total comes to Rs. 1,61,106 which is proposed to be distributed as follows:

For payment of dividend at the rate of five plus additional one per cent (total six per cent) per annum free of Income-Tax on the paid-up Capital of the Company as on June 30, 1955	Rs. 1,35,000
For Reserve Fund	" 25,000
TOTAL	Rs. 1,60,000

After appropriating the amount as above, there remains a balance of Rs. 1,106 which is proposed to be carried forward to the next year. During the year under review further progress has been made in the manufacture of all Geared-head lathes. The matter of taking up new lines and increasing the present capacity is under active consideration of the Company.

The Authorised Capital of the Company is now required to be raised from Rs. 25 lakhs to Rs. 50 lakhs to facilitate further expansion and the Share holders have been requested to approve this increase in the ensuing General Meeting.

The Directors have proposed to pay bonus for the year 1954-55 to all employees of the Company including the Staff and the General Manager as stated below

Subject to the following provisions, all employees of the Company including the staff and General Manager will be given a bonus equal to 1/12th of their basic earning during the year under report.

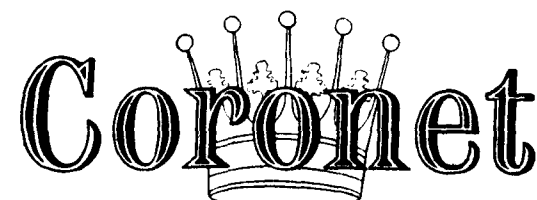
The employees who have worked for less than 75 working day, and more than 32 working days shall be granted a bonus equal to 1/24th of their basic earnings during the year; and the employees who have worked for 32 days or less shall not be paid any bonus.

Any employee who has been dismissed for misconduct during the year under report will not be entitled to any bonus even if he has worked for more than 32 days.

Bonus will be calculated to nearest rupee on the basic earnings (exclusive of all allowances, such as dearness and the bonuses paid during the period) received during the year commencing from July 1, 1954 to June 30, 1955.

Bonus will be paid before June 30, 1956, in two instalments in the manner as the Directors deem fit.

Fly to LONDON by B.O.A.C.



TOURIST SERVICES



Travel like a prince at low off-season Tourist Fares and **SAVE Rs. 599**

DELHI Single Rs. 1,414
LONDON Return Rs. 2,546

These off-season fares are available from India between 1st August, 1955 and 29th February, 1956. Return journey may be made within validity (one year) of ticket. Low Off-season Tourist fares to other major European destinations are also available.

B.O.A.C. TAKES GOOD CARE OF YOU

Consult your local Travel Agent or
B.O.A.C., Speedbird House, Service Road,
Connaught Place, New Delhi 1.
Phone: 43978, 44234, 45085 and 47356.

FLY → B.O.A.C.

BRITISH OVERSEAS AIRWAYS CORPORATION

Listen to the B.O.A.C. programme "Enchantment in the air" on Thursdays at 8.0 p.m. on Radio Ceylon, 31 and 49 metre bands.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

		Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)				
		Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.	
1947-48	..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..	..
1948-49	..	322.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..	..
1949-50	..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..	..
1950-51	..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..	..
1951-52	..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..	..
1952-53	..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..	..
1953-54	..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.0	..
1954-55	..	339.8	436.2	350.3	377.3	612.4	377.4	90.5	100.7	88.4	113.0	..
January 1955	..	310.3	432.9	344.3	375.5	568.8	363.9	90.6	100.7	88.4	113.7	..
February	..	304.3	430.2	339.5	376.8	558.5	361.4	90.6	100.7	88.2	114.2	..
March	..	297.0	412.8	333.5	376.3	553.3	353.7	90.6	100.7	87.4	115.4	..
April	..	283.6	398.6*	327.8	377.1*	541.2	345.4*	90.5	100.6	87.5	115.4	..
May	..	276.1	398.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9	..
June	..	281.8*	390.4	329.7*	370.0	567.4*	342.5*	90.8	100.6	87.5	113.2	..
July	..	309.7*	408.1*	329.6	370.9*	562.6*	355.6*	90.9	100.7	87.8	117.9	..
August	..	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.8	122.8	..
September	..	313.0	396.1	324.8*	368.8	556.3	353.2	90.9	100.7	87.2	122.8	..
October	..	315.7	403.7*	329.8	371.2	559.3	357.2*	91.0	100.7	87.2	124.5	..
November	..	325.8	418.7	338.1	373.3	543.6	364.7	91.0	101.0	87.7	129.9	..
Week Ending												
19-11-55	..	320.7	419.5	338.4	373.6	542.4	363.2	91.0	101.0	87.9	130.8	..
26-11-55	..	322.2	421.4	340.8	373.7	542.4	364.5	91.0	101.0	87.9	131.9	..
3-12-55	..	322.0	421.6	342.2	373.1	541.9	364.5	91.0	101.0	87.8	131.4	..
10-12-55	..	323.2	428.1	343.4	372.7	542.5	368.0	91.0	101.0	87.8	131.0	..
17-12-55	..	320.4	440.7	345.0	372.8	542.3*	367.4	91.0	101.0	87.8	131.7	..
24-12-55	..	324.9	446.5	350.4	372.6	546.8	370.7	91.0	101.0	87.7	130.2	..

†Economic Adviser's Series.

††Reserve Bank Series.

*Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS (August 1939=100)

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100	Ahmedabad July 1927 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936 = 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	300	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	136
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955 January	335	358	217	132	324	372	370	126	333	141	136	134
February	329	345	210	128	340	384	361	126	326	137	135	131
March	328	340	207	127	310	377	360	129	321	133	133	130
April	324	340	205	126	311	352	353	130	314	129	129	128
May	320	336	204	122	315	335	351	128	307	131	129	127
June	317	333	211	123	317	347	359	131	311	131	129	130
July	324	340	224	129	325	371	364	136	316	134	134	133
August	325	341	229	134	329	375	364	137	318	136	138	134
September	317	333	224	133	327	373	—	133	322	138	137	133
October	315	331	225	134	—	—	—	—	323	—	—	—
November	314	330	229	136	—	—	—	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	7-1-1956			31-12-1955			24-12-1955			17-12-1955		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	96-11	94-11	95-9	94-7	93-2	93-14	94-7	92-15	93-15	95-5	93-7	94-1
Silver (per 100 fine tolas)	176-12	173-2	175-9	173-7	170-15	172-5	173-11	171-9	172-14	173-7	172-11	172-1

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupce Coin	Rupce Securities	Total Assets
1938-39*	182,36	28,28	210,64	44,42	66,95	111,37	52.91	67,11	32,16	210,64
1947-48*	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49*	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62	1,253,86
	(5,58)	(—)	(5,58)	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1949-50*	1,128,94	24,00	1,152,94	40,02	624,70	664,72	57.63	57,21	458,47	1,180,40
1950-51*	1,163,21	17,19	1,180,40	40,02	625,27	665,29	56.31	63,98	488,36	1,217,62
1951-52*	1,189,84	27,78	1,217,62	40,02	564,40	604,42	52.89	80,22	458,08	1,142,72
1952-53*	1,114,84	27,87	1,142,72	40,02	594,02	634,04	54.80	92,33	430,11	1,156,97
1953-54*	1,133,95	23,03	1,156,97	40,02	648,90	688,92	56.47	102,25	428,78	1,219,99
1954-55*	1,197,05	22,98	1,219,17	40,02	652,98	692,99	52.03	104,99	533,75	1,331,74
Average of Fridays	1,313,32	18,91	1,331,74	40,02	681,98	702,00	52.39	104,14	533,71	1,339,85
April 1955	1,324,71	15,14	1,339,85	40,02	652,04	692,06	51.65	104,33	543,65	1,340,03
May	1,324,56	17,97	1,340,03	40,02	646,04	686,06	51.34	105,87	543,65	1,336,28
June	1,308,93	29,34	1,336,28	40,02	633,29	673,29	50.79	108,24	543,69	1,325,50
July	1,299,00	26,50	1,325,50	40,02	668,82	708,84	53.93	110,51	494,93	1,314,27
August	1,290,78	23,49	1,314,27	40,02	632,07	672,08	51.09	110,95	531,18	1,314,22
September	1,303,25	10,97	1,314,22	40,02	642,08	682,09	50.85	109,38	549,84	1,341,32
October	1,327,06	14,27	1,341,33	40,02	647,07	687,08	50.91	109,04	553,58	1,349,71
November	1,350,87	7,87	1,358,74	40,02	657,00	697,02	51.29	108,44	553,58	1,350,04
Week Ending	1,350,05	8,99	1,359,04	40,02	676,88	716,90	52.74	108,73	553,70	1,359,33
2-12-1955	1,351,58	7,75	1,359,33	40,02	686,88	726,90	52.90	108,44	538,67	1,374,01
9-12-1955	1,361,98	12,04	1,374,01	40,02	647,07	687,08	50.91	109,04	553,58	1,349,71
16-12-1955	1,350,87	7,87	1,358,74	40,02	657,00	697,02	51.29	108,44	553,58	1,350,04
23-12-1955	1,350,05	8,99	1,359,04	40,02	676,88	716,90	52.74	108,73	553,70	1,359,33
30-12-1955	1,351,58	7,75	1,359,33	40,02	686,88	726,90	52.90	108,44	538,67	1,374,01

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS														TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total	Other Liabilities																
1938-39*	14,90		16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	90								
1947-48*	366,79	16,93	102,47	34,21	520,40	14,55	544,96	47,24	2,62	406,95	1,57	21	81,53	4,85								
1948-49*	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14								
	(14,33)	(3,04)									(1)											
1949-50*	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	960,54	4,34								
1950-51*	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	960,54	4,34								
1950-51*	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2,37	6,77	76,72	5,06								
1951-52*	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,10	11,91								
1952-53*	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83								
1953-54*	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19,84	81,58	7,51								
1954-55*	89,13	20,66	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	26,55	80,52	9,82								
<i>Average of Fridays</i>																						
January 1955	53,95	15,50	61,48	34,01	164,95	20,95	196,89	15,19	3,44	74,98	2,01	19,23	71,78	10,26								
February	51,26	16,81	50,78	34,15	152,99	26,13	189,13	12,72	2,71	68,78	1,08	21,98	67,22	14,69								
March	58,81	37,71	47,51	21,84	165,87	29,58	205,45	12,54	8,59	70,73	95	42,26	51,67	21,03								
April	56,47	36,38	47,74	22,05	162,55	32,79	205,34	18,59	11,96	69,30	51	36,73	45,26	22,92								
May	52,9	17,90	48,89	22,08	141,84	38,25	190,08	15,28	11,46	51,97	80	40,22	41,51	28,76								
June	55,64	12,33	50,02	21,89	139,88	43,80	194,44	18,10	12,78	63,67	100	28,61	39,55	29,98								
July	76,93	17,83	50,62	19,03	164,40	32,13	206,52	29,47	9,53	69,84	88	32,44	58,34	6,02								
August	87,33	20,66	51,35	20,28	179,12	30,62	219,74	26,64	9,90	86,25	1,92	25,04	62,18	7,74								
September	60,36	18,28	55,51	16,91	151,06	21,26	182,32	23,63	13,68	61,57	1,02	28,64	62,13	11,65								
October	50,15	23,59	61,12	15,97	150,84	25,92	186,76	11,10	9,40	72,93	76	20,52	50,24	12,17								
November	54,93	14,81	58,52	15,46	143,57	29,71	183,43	14,40	7,37	80,45	2,22	24,17	50,09	12,21								
<i>Week Ending</i>																						
2-12-1955	51,36	10,16	62,37	15,48	139,37	32,13	181,51	14,09	5,85	71,25+	2,00	25,39	50,43	12,51								
9-12-1955	54,18	5,99	57,93	15,67	133,78	33,91	177,69	8,02	6,83	69,55+	3,79	26,45	50,53	15,52								
16-12-1955	60,14	7,46	55,99	16,80	140,39	34,50	184,88	9,11	6,62	71,17+	5,11	29,88	50,54	12,64								
23-12-1955	50,95	7,95	53,24	16,08	130,22	37,13	177,34	7,87	9,16	59,37+	5,29	32,19	50,43	13,03								
30-12-1955	54,01	10,62	57,87	15,81	138,31	36,13	184,45	12,16	12,07	48,20+	3,66	44,63	50,54	13,09								

INSURANCE STATISTICS

INCOME AND OUTGO IN LIFE INSURANCE
(The income & outgo of Indian and Non-Indian insurers during 1954)

	(Rs. lakhs)	
	Indian	Non-Indian
(a) Income		
Premium (First Year)	9.61	1.18
Premium (Renewal)	37.87	6.27
Interest, dividends and rents	9.11	1.47
Other receipts	2.32	46
TOTAL	58.91	9.38
(b) Outgo		
Claims by death	4.21	81
Claims by maturity	10.06	2.64
Annuities	13	10
Surrender value	2.30	1.35
Expenses of management	13.91	1.60
Depreciation and transfer to investment reserves etc.	67	1
Miscellaneous	8	83
Transfer to shareholders' reserve and dividend	34	7
TOTAL	31.70	7.41

LIFE INSURANCE BUSINESS

NEW BUSINESS

Year	(Rs. crores)		
	Indian Insurers	Non-Indian Insurers	Total
1945	123.7	12.6	136.3
1946	140.9	12.9	153.8
1947	126.5	13.1	139.6
1948	121.7	12.9	134.6
1949	130.0	12.2	142.2
1950	125.8	13.7	139.5
1951	131.4	16.5	147.9
1952	130.3	16.4	146.7
1953	138.2	17.0	155.2
1954	213.3	16.2*	229.5

* Figures incomplete.

MATURITY DISTRIBUTION
(Cumulative total after each quinquennium)

Period of Maturity	(Rs. Thousands)		(Rs. Thousands)	
	Indian Insurers*	Non-Indian Insurers	Indian Insurers*	Non-Indian Insurers
1955 and onwards	1,73,82,37	100.0	30,79,13	100.0
1955 " "	97,55,96	93.2	24,22,71	78.7
1965 " "	97,76,95	56.1	10,16,68	33.0
1970 " "	57,76,64	33.2	2,65,02	8.6
1975 " "	55,28,13	31.8	1,98,33	6.4
1980 " "	33,13,38	19.1	41,79	1.3
1985 " "	32,62,27	18.8	13,14	0.4
1990 " "	32,24,83	18.6	12,38	0.4
1995 " "	31,89,74	18.4	7,76	0.3
2000 " "	31,89,74	18.4	7,76	0.3

* Information not available in respect of 4 Indian insurers. have not been shown in the above table.

TOTAL BUSINESS
(Amount of life insurance business in force in India at the end of the year)

Year	(Rs. crores)		
	Indian Insurers	Non-Indian Insurers	Total
1945	462	95	557
1946	550	101	651
1947	603	103	706
1948	621	103	724
1949	662	103	765
1950	671	109	780
1951	755	118	873
1952	796	126	922
1953	833	133	966
1954	922*	137*	1,059*

* Figures incomplete.

DIRECT BUSINESS

(Additions to and deductions from gross life business written direct (sum insured and bonuses) by insurers during 1954)

Particulars	Indian Insurers		Non-Indian Insurers
	In India	Outside India	In India
1. In force at the beginning of the year	8,12,18	77,42	1,31,47
2. New Business	2,16,09	17,72	16,65
3. Old policies revived	16,57	1,70	1,23
4. Old policies changed and increased (and other additions)	7,15	1,26	3,64
5. Bonus additions allotted	6,74	79	44
TOTAL	10,58,73	98,89	1,53,43
6. Claims by death	3,94	45	82
7. Claims by maturity	8,97	89	2,71
8. Surrenders of policies	5,79	41	2,57
9. Surrenders of bonuses	1	..	6
10. Forfeitures or lapses	88,04	7,32	3,98
11. Change and decrease	26,65	2,19	5,14
12. Other deductions	51	46	1,14
TOTAL	1,33,91	11,72	16,42
13. In force at the end of the year	9,24,82	87,17	1,37,06

INSURANCE STATISTICS
MATURITY DISTRIBUTION OF INVESTMENT
(On December 31, 1954)

Years of Maturity	(Rs. Thousands)		(Rs. Thousands)	
	Indian Insurers*	Non-Indian Insurers	Indian Insurers*	Non-Indian Insurers
a. 1955-59	11,87,52	6.8	6,56,42	21.3
b. 1960-64	64,38,90	37.1	14,06,03	45.7
c. 1965-69	39,79,31	22.9	7,51,66	24.4
d. 1970-74	2,48,51	1.4	66,69	2.2
e. 1975-79	22,14,75	12.7	1,56,54	5.1
f. 1980-84	51,11	0.3	28,65	0.9
g. 1985-89	37,44	0.2	76	..
h. 1990-94	35,09	0.2	4,62	0.1
i. 1995-99	..	..	..	..
j. Irredeemable	31,89,74	18.4	7,76	0.3
TOTAL	1,73,82,37	100.0	30,79,13	100.0

* Information not available in respect of Indian insurers. Certain shares, which are approved securities have not been shown in the above table.

DISTRIBUTION OF ASSETS OF THE INDIAN INSURERS
(On December 31, 1954)

Particulars	1952		1953		1954	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Central Government Securities	1,22,47	41.7	1,27,95	40.2	1,31,06	38.7
Securities of Part 'A' States	12,67	4.3	19,07	6.0	19,46	5.7
Securities of Part 'B' States	3,80	1.3	3,35	1.0	4,37	1.3
British, Colonial and Foreign Government Securities	5,60	1.9	5,83	1.8	5,79	1.7
Municipal, Post Trust and Improvement Trust Securities	17,73	6.0	18,80	5.9	18,42	5.4
Mortgages on Property	13,29	4.5	14,62	4.6	15,56	4.6
Loans and Policies	19,78	6.8	23,51	7.4	26,62	7.9
Loans on Stocks and Shares	24	0.1	22	0.1	16	..
Other Loans	1,88	0.6	1,86	0.6	1,98	0.6
Debentures of Indian Companies etc.	13,15	4.5	14,70	4.6	20,77	6.1
Preference Shares of Indian Companies, etc.	10,90	3.7	11,30	3.6	11,95	3.5
Ordinary Shares of Indian Companies, etc.	17,76	6.1	19,94	6.3	22,75	6.7
Land and House Property	15,31	5.2	17,58	5.5	16,59	4.9
Agent's Balances, Outstanding Premiums, Interest, etc.	14,81	5.0	15,55	4.9	16,10	4.8
Deposit, Cash and Stamps	17,43	5.9	16,87	5.3	20,29	6.0
Miscellaneous	7,09	2.4	6,94	2.2	7,02	2.1
TOTAL	2,93,91*	100.0	3,18,09*	100.0	3,38,89*	100.0

THE ASSETS OF LIFE AND GENERAL BUSINESS OF INDIAN INSURERS.
(On December 31, 1954)

Particulars	Life		General	
	Amount	Percentage	Amount	Percentage
Central Government Securities	1,23,50	41.0	7,56	20.1
Securities of Part 'A' States	18,70	6.2	76	2.0
Securities of Part 'B' States	4,09	1.4	28	0.7
British, Colonial and Foreign Government Securities	3,65	1.2	2,14	5.7
Municipal, Post Trust and Improvement Trust Securities	18,16	6.0	26	0.7
Mortgages on Property	15,07	5.0	49	1.3
Loans on Policies	26,62	8.8	..	..
Loans on Stocks and Shares	6	..	10	0.3
Other Loans	1,47	0.5	51	..
Debentures of Indian Companies, etc.	19,44	6.5	1,33	3.5
Preference Shares of Indian Companies, etc.	10,03	3.3	1,92	5.1
Ordinary Shares of Indian Companies, etc.	19,10	6.3	3,65	9.7
Loans and House Property	15,90	2.4	8,77	23.4
Agents' Balances, Outstanding Premiums, Interest, etc.	7,33	4.5	6,82	18.2
Deposit, Cash and Stamps	13,47	1.6	2,28	6.1
Miscellaneous	4,74	100.0	37,56*	100.0
TOTAL	3,01,33*			

* These figures do not include "Accrued Interest", "Preliminary and Organisation Expenses" and contra items.

Printed and Published by Devi Prasad Sharma at the Hindustan Times Press, for "The Eastern Economist" Ltd., 52, Queensway, New Delhi. Editor:—E. P. W. da Costa, M.A. (Oxon.)

(Continued on next page.)

ATUL

DYES CHEMICALS PHARMACEUTICALS



THE ATUL PRODUCTS LIMITED
ATUL via BULSA Western Railway

D.S. Subramanian
D.S. Mehta

The Eastern Economist

VOL. XXVI. NO. 3.

NEW DELHI: JANUARY 20, 1956.

ONE RUPEE

CONTENTS

Leading Articles:

THE HOUR OF DECISION	81
STEEL INDUSTRY SETS THE TONE	83
TAX-FREE TECHNICIANS	84

THE WEEK'S NOTES

Mr. Sachar's Exit; Pakistan's Constitutional Blind-Alley; Soviet Challenge on the Economic Front; Gold Coast's Teething Troubles; Rethinking on Language Policy; Delhi School of Economics; Nepa's Promising Start.

A WINDOW ON THE WORLD:

Odysseus on "The Future of British Socialism"	89
---	----

A Delhi Diary

ECONOMIC REPORT FROM THE U.S.:

No Tax Reduction: More Foreign Aid Proposed	92
---	----

WORLDGRAM AND NEWS IN BRIEF

Special Articles:

FROM WEALTH TO CAPITAL CO-EFFICIENTS	99
EXPORTS FROM INDIA, 1950 TO 1951: A COMMONWEALTH SURVEY	100
BOOK REVIEWS	102

The Business World:

Corporation for State Trading	105
Bonus Pacts	105
Another Peak in Cloth Production	106

BUSINESS NOTES

Railway Freight Rates; Emergency in Bombay Port; Ratification of Tea Bonus Pact; Forward Trade in Jute; Standards Convention; Transfer of Evacuee Bank Accounts.	107
--	-----

A LETTER TO THE EDITOR

COMPANY AFFAIRS

COMMODITY NEWS AND NOTES

CURRENT STATISTICS

The Hour of Decision

EVENTS this week in many portions of India if they were not filled with tragedy, might have provided an objective onlooker with entertainment. The decisions of the Central Government on the recommendations of the States Reorganisation Commission have brought Chief Ministers racing one after another to Delhi. It was rumoured in Delhi on Saturday that Dr. B. C. Roy, the

Chief Minister of West Bengal, had threatened resignation on an initial decision that the transfer of certain areas from Bihar to West Bengal had been vetoed by the Four-Man High Committee. When on Monday it was announced that 2,900 of the 3,300 square miles of territory proposed to be transferred were transferred to West Bengal, it was a

Sinha's turn to threaten resignation. Meetings are still taking place in Patna demanding the resignation of Bihar Members from Parliament and further drastic action, of all and sundry kinds. In Bombay, after the decision to keep the city under Central control was announced, the police opened fire ninety-five times on Wednesday alone. In this wild display of mobocracy, twenty-one people have been killed and one hundred injured. These are tragic elements in what might otherwise be dismissed as comic opera; one might laugh were one not so high to tears.

How deep are the emotional attachments of the masses to the linguistic areas to which their passions have now been linked? Almost any conclusion seems to be possible; the evidence of the last two months seems inconsistent with much of the evidence on the growth of the basic unity in India in the last few years. It would be a rash person who would argue long-term on the basis of occasional mob demonstrations in the cities of Calcutta and Bombay. It will be remembered that, just three years ago, Calcutta had acquired for itself a quite notorious reputation as a permanent refuge for goondas. At the present time, and, indeed, for the last two years, there has been almost no display of goondism in Calcutta. It may well be that Bombay's unseemly reputation acquired in the last two months will similarly evaporate once the Central political decision is seen to be inevitable. At the present time there is a belief that, as on Andhra, the Prime Minister can be swayed by threats of force. No time should be lost in disabusing Maharashtrians of this error.

So far as other areas in India are concerned, the present outlook is stable and even happy. Notwithstanding a serious Parliamentary setback, cooperation in the Punjab between the Hindu and Sikh communities seems possible. The decision on the Punjab has not yet been announced, and it may be there is more trouble in store in this important State. The fact, however, that a great political sacrifice has been made by Mr. Sachar and his colleagues—though perhaps without a notable degree of self-effacement—seems to suggest that what might have been the worse province of all will eventually stabilise itself on the basis of an adequate recognition of Sikh predominance in the counsels of the Government. It has been a hard and, in some respects, a cruelly unjust decision. But politics is a cruel and unjust mistress. There does not seem to have been any more merciful decision which could have been taken, once the need to placate Sikh opinion was recognised.

It is possible that some minor improvements on Central Government decisions may be attempted. But nothing can be more disastrous than to suggest that, because some minor improvements are possible, the time for discussion can be extended beyond the present. Indeed, it has already been extended far beyond the limits of wisdom, and the Central Government has certainly erred in announcing its decisions so late in the day. It can, indeed, claim that it has given adequate opportunities for all sides to be heard. The complaint cannot be that it has erred in restricting discussion. It has erred in excess; when emotional feeling was so high, there was no point in attempting an undue degree of rational persuasion.

The central point, therefore, is that this, and no other, is the hour of decision. Whatever the merits of the issues in any single case or on all together, the Central Government must refuse abso-

lutely to abdicate in any respect from its present position under threat or pressure of any kind. In the city of Bombay, this should be proclaimed by declaring martial law to make it clear that law and order the essential condition of all government will be maintained with the fiercest determination. It is obviously difficult for the Bombay Government, now rent by dissension and a party to the dispute, to be credited with the faith that, in the maintenance of law and order, it is acting without bias. It is essential that Mr. Morarji Desai should, in these circumstances, be relieved of the major responsibility for the maintenance of law and order. The Central Government, having decided to take over Bombay, must move in force to show that it is determined to govern in an area which has been marked out particularly as its own.

This need for prompt and decisive action is the vital point to be appreciated in this hour of decision. It is essential that the Prime Minister of India should recognise that the country looks to him for a strong lead in this matter. There is no task, of the many tasks which are thrown upon him at this time, which requires equal attention. It is a great pity that he allows himself to be distracted from some of these responsibilities by numerous other engagements which, in the light of present conditions, must be considered petty and trivial. It is essential that his clarion call for the unity of India should rise above all his other pronouncements, sweet and reasonable as they may appear. Only the Prime Minister can give emotional force to an appeal for Indian unity at a time when rational arguments and good sense have failed.

Meanwhile it is good for historians, and those who can take a long-period view of India's political turmoils, to recognise that the background against which fissiparous tendencies are now being wildly exhibited is no other than the fundamental unity of the Indian Union. Precisely because that unity is now firmly established—with the Central Government in the last analysis capable of administering any portion of the country in replacement, if necessary, of any State Government—one can look upon this demonstration of mobocracy as being merely an element of moderate licence given to or taken by unwise people in a democracy in which there is no major danger to the unity of the country as a whole. It is arguable that we have already gone too far in granting this licence. It is not arguable that this display of mobocracy in a few widely separated places is a fundamental denial of the essential unity decreed by political and economic forces in the Indian Union. In a month or two, after the shouting is over, the broad pattern of that unity which incidentally still prevails over the ninety-nine hundredths of the country will not be marred by the unseemly incidents which have been all too prominent this week.

One must look on present events with a heavy heart, but that is no reason why one should look on these events, or any others, with a clouded mind. Today, the mind of the Government of India has been firmly made up on the need for proclaiming its authority without fear or favour. Once that proclamation is enforced—and the overwhelming majority of the Indian people demand that it shall be enforced forthwith—the blots on the national escutcheon can be readily wiped away. This is the hour of decision; it is good to know that, at this time of testing, we also have arms and the man.

Steel Industry Sets the Tone

INDUSTRIAL relations in India during the last few years have presented a mixed picture, but, on the whole, there have been many bright patches which have offset the darker spots. Since the beginning of the first Five-Year Plan, man-days lost through industrial disputes have been only a fraction of the average of the earlier years. Since our industrial production recovered in 1951, labour productivity has shown an increase. Real earnings, which were ahead of productivity in the earlier years, have now a better relationship to output, and in a few industries or in certain sections of some industries, earnings have not, perhaps, fully benefited by the increase. The system of adjudication on disputes, which has become increasingly legalistic, has prevented the fostering of more constructive labour-management relations and any changes in this system have proved politically impracticable, except when they are one-sided, in the direction of yielding to pressure from labour, as in the case of the proposed abolition of the Appellate Tribunal. A wholly unhelpful attitude on the question of rationalisation—which culminated in the Kanpur textile strike a few months ago—has prevented labour's gains through productivity as much as it has hindered the management's plans to cut costs and widen the market. Trade Unions, partly because of their internal divisions and partly because of their close dependence on the Government for safeguarding their status, have not played as active a role as their counterparts in Western countries.

In this uneventful rather than gloomy surface of industrial relations, it is refreshing, therefore, to hear of a positively constructive approach to labour-management co-operation like the agreement concluded recently between the Tata Iron and Steel Company and the Workers' Union at Jamshedpur. It excels the few precedents established in the textile industry in Ahmedabad. The agreement sets out clearly the rights and obligations of labour and management and seeks to break new ground in the development of collective bargaining. Such an agreement among the two parties in any industry would constitute a major advance if it can show the way for others. But it is particularly significant that India's largest existing steel unit should thus be free from anxiety on its labour front, when it is planning for large-scale expansion. The progressive association of employees in the Steel Company's works at Jamshedpur at various levels is proposed to be achieved in gradual stages. Hitherto, the system of works committees, adopted under official inspiration rather than through a spontaneous desire on the part of workers in industry to make a success of them, can hardly be regarded as having succeeded even moderately in establishing the preliminary conditions for success. This has been now admitted officially. If steel workers succeed where others have failed, it must be attributed to a better understanding of their own role in the scheme of industrial relations and this experiment will be watched with great interest.

Some advance indications have already been given of the nature of the co-operation, which offer the assurance that it would be constructive. The Workers' Union has secured some important gains: it has secured an Indian equivalent of the closed shop, which is widely practised in Western countries. The Company will continue to re-

cognise the Union as the sole bargaining agent of the employees, including those in the supervisory grades (which have a separate unit within the Union). The Company has also agreed to a Union membership security system and to the principle, unusual in this country, of collection of Union subscriptions through the payroll in respect of all the non-supervisory employees. Some permissive legislation would be necessary to enable the enforcement of these provisions. Representatives of Joint Committees also get the right to utilise part of their paid working time for discharging Union work, without detriment to their normal work.

There is, however, a definite *quid pro quo*. The Union has recognised the right of the Company to take disciplinary action according to the Standing Orders. It also recognises the management's right to introduce new and improved methods or equipment, to decide the number and location of plants and machinery and manufacturing processes and products. This right is subject, however, to prior consultation with the Union in cases where the employees' interests are adversely affected when the Union can make representations to the management. It is clear that the Union has not in these cases sought a right of veto on the management's freedom of disciplinary action. It has accepted prior consultation as an adequate safeguard—a step which would not have been possible without a feeling of confidence. In the field of industrial relations, as in any other, trust begets trust and one must hope that there will be a wider appreciation in Indian industry of this great truth. The Union has obtained assurance that there will be no retrenchment of existing employees and that those who being surplus will have to be redeployed in other sections will be trained and guaranteed their emoluments. The re-fixation of the number of men required for each operation—which is to be carried out and completed within one year from now—is subject to a carefully devised procedure of arbitration by experts in the event of disagreements. Thus the scope for improving productivity will be increased by a system of job evaluation.

These are significant gains for the Company on the eve of the implementation of its vast scheme of expansion which can easily absorb much of the labour that can be regarded as surplus in the present plant. Enough scope is left for the advancement of the emoluments of those directly engaged on the works, who will have the largest contribution to make in terms of lower costs of the product. The expansion scheme has thus both provided an opportunity and derived an advantage. It has assisted a pioneering venture in the field of labour relations. In other industries, where there are more units in operation, similar principles may not be capable of introduction immediately with the consent of labour; but it sets an example which can always be borne in mind. In the steel industry, the new units will be in the public sector; and there is something of a challenge here made to the latter to provide similar opportunities to labour for consultation in management and for raising rewards through higher productivity. There is here a competition as to who will produce the cheaper steel, along with the provision of the maximum concessions and opportunities to labour. In the three years, which is the duration of this

agreement, when the results will become visible, the public sector will perhaps be left with no option but to adopt similar conditions. Instead of

the public sector setting the tone for the rest, as its champions have argued, the private sector may try to set the tone.

Tax-Free Technicians

THE Press Note issued this week, clarifying the provisions for exemption from income-tax of foreign technicians employed in India, has drawn attention to an amendment in the law which was made at the time of the last Budget but which had escaped attention because of the other controversial provisions in the Finance Bill. Under a new Clause (xiv a) added to section 4(3) of the Income-Tax Act, it was provided that remuneration for services rendered by foreign technicians in any business carried on in India would be exempted under certain conditions. These conditions are that such technician should not have been resident in India in any of the four financial years immediately preceding the year in which his services are engaged in India and that his services should be rendered only as a technician, irrespective of the designation of the post in which he is employed.

It has now been defined that a technician should, in order to qualify, have specialised knowledge in 'industrial arts and sciences and experience in industrial practice.' This definition still leaves a certain area of vagueness and, presumably further clarification will not be forthcoming until specific cases are brought to the notice of the Government of India for purposes of exemption. The language is wide enough to admit of liberal interpretation. Considering that this important new provision has been made without the least practicable delay after the presentation of the Taxation Enquiry Commission's Report, it would be reasonable to infer that no unnecessary obstacles would be created and that as favourable an interpretation as possible would be made in order to attract specialised knowledge to this country to assist in the schemes under the second Five-Year Plan, particularly in those of the private sector.

Actually this new provision was made necessary consequent on the recommendation of the TEC for the abolition of the category "resident but not ordinarily resident" in the Income-Tax Act because such abolition would have rendered foreign technicians liable to tax if they spend more than 182 days in India in any year. In the Finance Act of 1953, employees of foreign enterprises were exempted from tax if their periods of stay did not exceed 90 days in a year and if their services were for firms not connected with business in India. The new provision, however, is a more far-reaching extension of the principle and involves a readiness to sacrifice revenue, the loss of which would be more than counterbalanced by the encouragement to our industrial development.

It is one of the conditions for the grant of this concession to foreign technicians that the contract of service should be approved by the Government of India before the actual commencement of service; such approval entitles him to exemption from taxation during the financial year in which a technician comes to India and for two financial years immediately following it. In other cases, where there is no such prior approval, exemption is available for two years, viz. the year of arrival and for the following year, if the foreign technician's stay in the two years taken

together does not exceed 365 days; but where the stay in India exceeds this period the technician is entitled to exemption from tax only for the financial year in which he arrives in India.

Thus there are three categories of exemption and the maximum concession of exemption for three years is available only to those whose contracts are approved by the Government; in the other cases, there is only an initial advantage. The Finance Act of 1955 proceeded too strictly on the basis of the TEC's recommendation and the restrictions have been the result of such strict adherence. There seems to be a very strong case for further liberalisation of these provisions. It is hardly necessary to point out that they place the public sector relatively at a great advantage because the contracts of service in all such cases will necessarily have the prior approval of the Government. In the case of existing contracts for which prior approval of the Government could not have been taken before the commencement of service in any private undertaking or where no approval can be obtained, a hardship is involved for which suitable relaxations may be necessary.

Obviously it is the experience of the public sector in hiring foreign technicians that has brought about this salutary result. It is known, for example, that Soviet technicians, required for the Bhilai Steel Plant, have secured terms which would compare favourably with any that technical men from the free countries have obtained. A salary of Rs. 4,000 a month net of tax, which is equivalent to a taxable income of about Rs. 8,000 a month paid in other cases to give the same net benefit, has penalised the private sector. The Soviet technicians' terms provided an excellent example of the terms which are required if suitable personnel should be drawn from abroad; but there has been little disposition hitherto to recognise that the rates of Indian income taxation are so high as to deter the flow of personnel to the private sector.

What is now conceded as necessary in the case of technicians may well be applied to a wider field of managerial and entrepreneurial ability which is being penalised more under our system of taxation than in other countries. Surely, the supply of this type of talent, locally or from abroad, is not in such abundance that it can be left to look after itself. The principle is not very much different; in the case of all foreign personnel what should prove attractive is the net reward and unless this is high enough in comparison with what is obtainable in their own countries or in other areas outside India, there would be no inducement to start business here or stay to run the business. While technicians are important, the best results of their work cannot be maintained unless it is combined with the best management. If, in time, there is recognition of this factor the assistance to the private sector can become more fruitful. While it is legitimate to expect that Indian nationals and those who have sought permanent homes here should accept the tax policies of the Government, the same considerations cannot apply to those who can be expected to play a role in our economic development only if the conditions are encouraging.

THE WEEK'S NOTES

MR. SACHAR'S EXIT

EVENTS IN the Punjab have taken a surprising turn. After the public were told by Maulana Azad that he had succeeded in composing the differences between the two contending groups in the State Congress, Mr. Bhimsen Sachar was expected to have greater co-operation from the Kairon group in carrying on the business of government. The reasons for his sudden decision to resign are, therefore, difficult to fathom. If Mr. Sachar was unable to carry on with Sardar Pratap Singh Kairon in the Cabinet and if the latter did not want to work under the former, there was no ground for staging a rapprochement some time ago. It is now learnt that Mr. Sachar himself will propose Sardar Kairon's name for leadership of the Legislature Congress Party. Since Mr. Sachar will not be joining the new Cabinet, it is to be hoped that intra-party group rivalries will come to an end and that no temporary political expediency dictates the change in leadership.

If Mr. Sachar's exit from office looks rather abrupt, it appears Mr. Kairon's accession will portend many happy developments for greater political stability in this border State. The Chief Minister-designate is credited with having not only the support of a majority in the Pradesh Congress Committee, making for greater co-operation between the legislative and political wings of the party, but also with having the support of PEPSU Congressmen, including Mr. Brish Bhan, the present Chief Minister of that State. It is believed that the merger of PEPSU with the Punjab can be carried out with much less friction. Sardar Kairon's election should assure the Sikhs that the Hindus have no plans for dominating the political scene. It has been suggested that the Chief Ministership should alternately go to a Hindu and a Sikh, and events have fortuitously made possible the choice of Sardar Kairon for that post at this juncture. Master Tara Singh is reported to be unaffected by these developments, but reflection should show that there can be no greater security for the Sikhs than the proof of the equality of opportunity demonstrated at this time.

PAKISTAN'S CONSTITUTIONAL BLIND-ALLEY

PAKISTAN'S FOURTH attempt at constitution-making seems destined to end up in confusion if certain changes are not made in the draft. The minorities have the greatest cause for complaint and, as was only to be expected, the Pakistan National Congress and the United Progressive Party of East Bengal have declared that they would do their best to have all discriminatory provisions such as those relating to the election of President and Vice-President amended. Theirs, however, is a lost cause even before the fight begins, and if they form the only opposition to the proposed Constitution, the Government will have no difficulty in getting it passed by the Constituent Assembly.

But, in drawing up the Constitution, those in power in Pakistan have counted without the people of East Pakistan. The proposal for a strong Centre has naturally alarmed them and the Awami League has proclaimed its opposition to it. It now seems certain that, unless the demand for greater regional autonomy is conceded and suitable amendments are made in the draft, the Constitution Bill will have to face rough weather in the Assembly. Nor can the people of East Pakistan agree to equal representation for the two units in the Federal Assembly when they form 55 per cent of the nation's population—an injustice which will be all the more glaring in the absence of regional autonomy. The only political party of East Bengal which has maintained a diplomatic silence over the whole

affair is the United Front (of Mr. Fazlul Huq) which is in charge of the Government in that province and is also participating in the Central Government. Probably there was some understanding between the Muslim League and the United Front and the Constitution was drawn up as a compromise. But whether Mr. Huq can lend a hand in putting it into effect is doubtful, for he can openly support it only at the risk of incurring popular displeasure. Mr. Huq is too experienced a politician not to realise that, if he loses popular support, the Muslim League will throw him on the political scrap-heap.

SOVIET CHALLENGE ON THE ECONOMIC FRONT

THE SOVIET UNION'S sixth Five-Year Plan has been drawn up on the usual ambitious scale on which all such plans of Communist countries are drawn up. But for that very reason it presents a formidable challenge to the West. Following in the wake of promises of economic and technical aid to India and other underdeveloped nations of Asia, the targets set in the plan are bound to have a tremendous impact on the world, whether for good or evil. The competition in 'goodwill' and 'friendliness' (in offering economic assistance) is to be extended to the field of economic progress within the country and to the field of using atomic energy for peaceful purposes.

The targets fixed for 1960—said to be greater than what Stalin envisaged in 1946—indicate the amount of effort the Soviet people will put in in the next five years. Steel output will go up to 68.3 million tons (from 45 million tons), that of coal to 593 million tons (from 390 million tons) and power generated to 320 billion kilowatt hours (from 166 billion kWh). Wages will go up by 30 per cent and industrial output by 65 per cent, heavy industry alone registering a 70 per cent increase. Meat production and housing construction are to be doubled. The number of available technicians and specialists are to be increased by 50 per cent, Atomic power is to be used for power generation and television, including colour television, is to be developed.

Whatever criticisms may be levelled against this plan for its continued emphasis on heavy industry, resulting in a lower rate of increase in the standard of living compared to the increase in the per capita national income, it cannot be denied that by 1960 the Soviet Union will be able to extend technical help—in the shape of personnel and machinery—to a significant extent. It is worth noting that this drive for development is backed by the confidence that, "in peaceful economic competition," in historically the shortest time, the Soviet Union can overtake and surpass—on a population basis—"the most developed capitalist countries". Treating this challenge to the capitalist countries as "the main economic task of the U.S.S.R.", the Soviets are out to prove to the uncommitted world the efficiency of their economic system. The free world cannot ignore this challenge; the propaganda value of the announcement may be as great as the achievement of the targets.

GOLD COAST'S TEETHING TROUBLES

ONE OF the bright spots on the otherwise dark continent of Africa is Gold Coast where Britain has shown a willingness and readiness to assist a colonial people to progress towards self-government. It had originally been hoped that this colony will attain its goal of complete independence before the end of 1957, but this has now become a little uncertain because of the rise of some differences of opinion over the form the future Constitution should take. The present Prime Minister, Dr. Kwame Nkrumah, who is

the leader of the Convention People's Party, is in favour of a unitary form of government. Until 1954, it looked as if he enjoyed the support of the great majority of the people; but since then a new body called the National Liberation Movement, dominated by the chiefs and favouring a federal structure, has gained considerable support. The NLM is not represented in the Assembly as a party and is demanding the setting up of a constitutional assembly to revise the constitution before the attainment of self-government.

The way-out seems to lie in acceptance by both parties of the recommendations of Sir Frederick Bourne, the Constitutional Adviser, who has submitted a report after an inquiry at the request of the Gold Coast Government. While not conceding the principle of a federal set-up, the Bourne report recommends the transfer of some of the powers now exercised by the Centre to regional assemblies and the representation of the regions on the big public boards. It has also suggested that no measure affecting the chiefs' privileges should go to the Assembly without their being consulted (the CPP stands for their complete abolition). Meanwhile, in response to an invitation from Dr. Nkrumah to all parties to attend a conference to study the report, the NLM has demanded that the conference should discuss all constitutional issues, that the results of the conference should be considered by the legislature to be elected immediately after it and that the conclusions reached by the legislature should be the basis of the new constitution. The elections are not due until 1958, but since the NLM is not represented in it, there seems to be no alternative to agreeing that the future set-up should be decided by a more representative legislature. It is to be hoped that both parties will not insist on their respective points of view, but will agree to some compromise, as the overriding objective should be early independence. India will be particularly anxious to see the Gold Coast enter the Commonwealth.

RETHINKING ON LANGUAGE POLICY

THE OFFICIAL LANGUAGE COMMISSION has just completed a tour of the South and gathered the views of State Governments and other institutions and individuals in that part of the country. The consensus of opinion is that English will have to be used even after 1965 for official purposes. The Mysore Government has expressed this view unequivocally, while the Travancore-Cochin Government feels that it will be possible to change over to Hindi by 1965 "if a supreme effort is made". The Madras Government, on the other hand, have stated that, while Hindi can become the official language after 1965, English will have to continue as the subsidiary official language—for obviously a long time, since they are not in favour of making the study of Hindi compulsory, though Rajaji has favoured a period of compulsory teaching at the secondary school level. The universities in general are even more opposed to the elimination of English.

It cannot be denied that the views of the South deserve the greatest consideration in finally deciding on the pace of "Hindi-isation", for that part of India and Bengal will probably be the most affected by any radical change in the language policy. It is hardly possible for us to disagree with Mr. B. G. Kher when he says that "the one single concern and consuming passion of all thoughtful Indians at the moment should be the (cultural) unity and integration of the country". But, when he says that "the provisions in the Constitution relating to the language problem were made after prolonged and anxious consideration", there is room for difference for these articles provided only an acceptable compromise at that time among the various groups. No special sanctity has been attached to other provisions which have been amended from time to time and there is no reason to swear by the Constitution in this case alone, if it is proved to be inadequate in any respect.

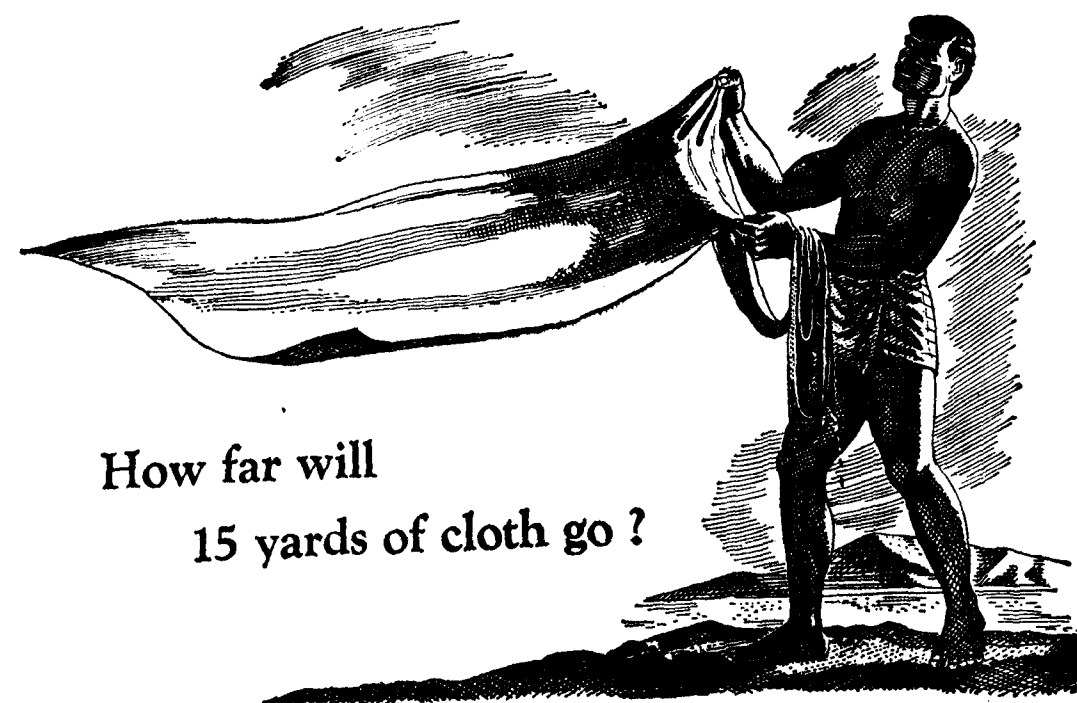
When the Constitution was taking shape, the country had just become independent and there was a tendency to take for granted and as embodying the highest wisdom whatever decisions on vital issues had been taken by the Congress in the course of a quarter of a century of freedom struggle. The language problem was one such and, since the Congress stood committed to making Hindi the national language, there was no thought of examining the problem afresh. But there was some fanaticism also, for example on the question of numerals, which as the Travancore-Cochin Government has pointed out, deserve to be modified in favour of international numerals.

DELHI SCHOOL OF ECONOMICS

THE DELHI School of Economics has moved into premises of its own, less than seven years after it was founded. Appropriately enough the new buildings were declared open by Prime Minister Nehru, who is also the President of the School, thus assuring it of continued and uninterrupted growth. The School has gone from strength to strength under the guidance of Dr. V. K. R. V. Rao, its Director, and what began with the Delhi University's Department of Economics with two academic members on the staff has now come to acquire 22 persons on its teaching and research staff alone. The School's activities have also expanded and, in addition to M.A. and Ph.D., new courses of study designed to meet the new developmental needs of the country have been started—such as a two-year post-graduate Diploma Course in Economic Statistics, a one-year post-graduate Diploma Course in Economic Administration and a three-year evening post-graduate Diploma Course in Business Administration. Special research sections have been set up in Agricultural Economics and in Economic Development. The School also has a small statistical laboratory and is publishing its own economic journal. The composition of the staff and students of the School as also the sources of its finances reveal its truly all-India character. With nine foreign students now on its rolls, it is on the way to acquiring an international colour. To the construction of the new premises have come contributions from all over India with the Government of India giving Rs. 4.69 lakhs and the Birla Education Trust Rs. 6 lakhs. With a fine record of work since its foundation, this institution can look forward to a period of steady growth in both its teaching and research—applied and theoretical—activities.

NEPA'S PROMISING START

LAST YEAR'S eventful developments in the history of the National Newsprint and Paper Mills, Nepanagar, constitute an augury for the progressive career of this first newsprint manufacturing enterprise in the country. The initial difficulties in the phase of trial production and subsequent strides made in achieving hundred per cent indigenous manufacture, have been briefly narrated in Sir A. Ramaswami Mudaliar's presidential speech at the last ordinary general meeting which appears elsewhere in this issue. The Chairman has highlighted as the most outstanding event of the year the convincing proof of the suitability of salai groundwood as a raw material for newsprint manufacture about which serious doubts had been raised. Last year's total output of 2,600 tons has been marketed. The exemption of the factory's product from payment of excise duty, which is the latest act of assistance rendered by the Government has facilitated sales. The teething troubles of this venture will need careful nursing and the Chairman's appeal to the Government for the creation of a pool of indigenous and imported newsprint to help it tide over marketing problems deserves sympathetic consideration.



How far will
15 yards of cloth go?

Fifteen yards—no more—is our per capita consumption of cloth. The industry's target for 1960 is 22 yards per head.

Thirty years ago India was importing the bulk of her textile requirements; to-day, she has the second largest textile industry in the world. One hundred crores of rupees have been invested in this key industry. It employs a million workers and produces 5000 million yards of cloth annually.

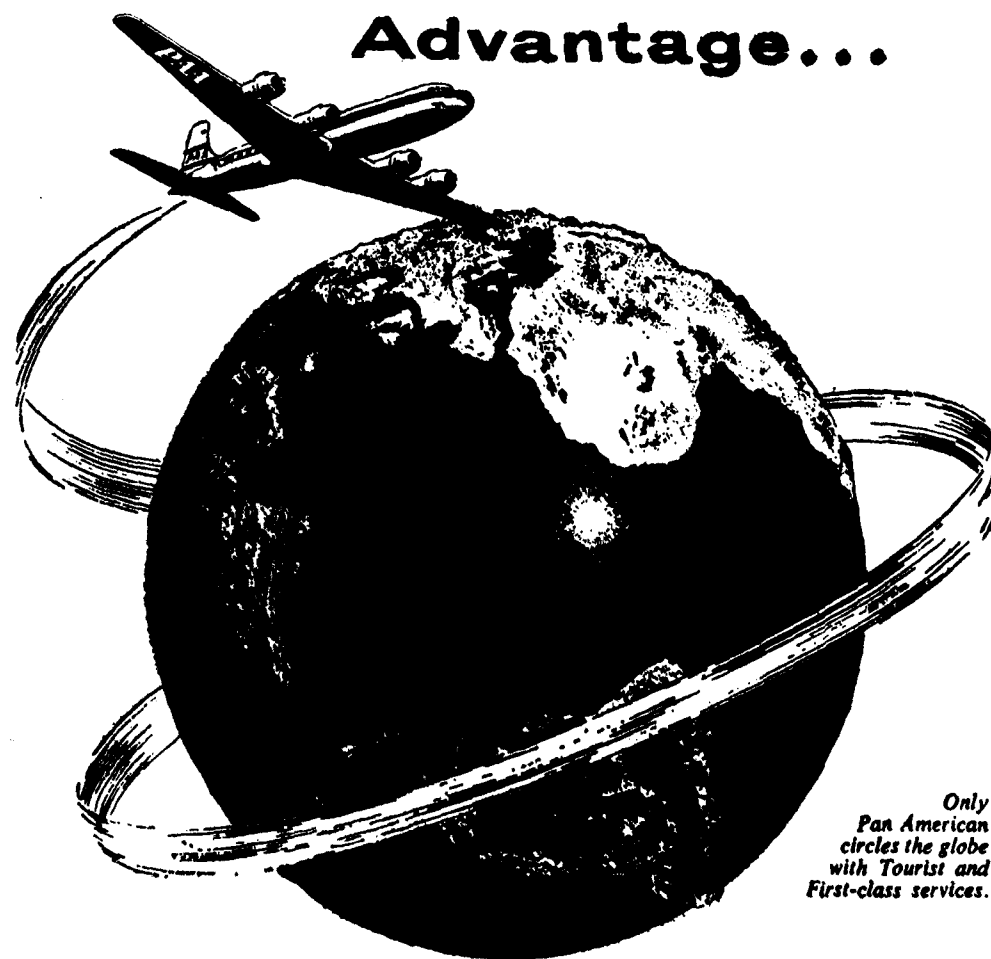
In our developing economy steel is essential. That is why the Tata Iron & Steel Company has launched an expansion programme which will raise its capacity.

Ingot Production		
1955	...	1,050,000 tons
1959	...	2,000,000 tons

Private enterprise serves the Nation

THE TATA IRON AND STEEL COMPANY LIMITED

This Priceless Advantage...



Only
Pan American
circles the globe
with Tourist and
First-class services.

Round-the-World experience on every flight... yours only on Pan American!

Whether you fly a few hundred miles or thousands, you'll immediately sense the difference this experience makes.

You'll feel relaxed and confident in the hands of the *only* airline that flies 'round the world... the airline that specializes in overocean flying... the airline that does the most to make you comfortable in the air!

Pan American has flown *one billion miles* in overseas service... has carried 13 million passengers to international destinations... has crossed the Atlantic over 50,000 times... and has completed over 2,000 Round-the-World trips.

From unmatched achievements like these comes Experience — Round-the-World Experience — the priceless advantage that only Pan American gives you on every flight.

Let your Travel Agent arrange your trip—his services are free. Or call Pan American in:

Calcutta: 42, Chowringhee Tel. 44-2651, 2652
Bombay: Taj Mahal Hotel Tel. 35304

New Delhi: Imperial Hotel Tel. 48172, 48717
Madras: Connemara Hotel Tel. 85647

PAA

WORLD'S MOST EXPERIENCED AIRLINE

PAN AMERICAN

PAA 407

A Window on the World

THE FUTURE OF BRITISH SOCIALISM

By
ODYSSEUS

THIS WEEK in London, I attended a luncheon given by the Commonwealth Correspondents' Association in honour of Mr. Hugh Gaitskell, sometime Chancellor of the British Exchequer, and newly elected leader of the British Labour Party, and I also had the privilege, in your behalf, of a personal chat with him. I do not happen to agree with Mr. Gaitskell's politics but I left him with the feeling that I had been in the presence of a man of outstanding personality and character, and of exceptionally clear thought in economic matters. If, as an alternative to the Conservatives, Britain must have a party committed to the dreary doctrines of Socialism, then she is fortunate in having Mr. Gaitskell to lead it. Whether he will succeed in imposing his sensible economic views on the Labour Movement, I do not know. This will be the true test of his capacity as a leader, for his thought runs counter to a great deal that has been the current coin of Socialism for the past thirty years or more. Nationalisation of the means of production and distribution, for example, is written into the constitution itself of the British Labour Party.

In this, as in so much else, Socialism everywhere is bound down by theories, fetiches, and slogans, adopted in the decades of its infancy before it had practical experience of the responsibilities of office.

Mr. Gaitskell is performing a vital and valuable service to his party, to his own country, and to any other country elsewhere which happens to be adopting the "socialist pattern of society" by fearlessly re-thinking out first principles in the light of twenty-five years of Socialism in office.

I am grateful to Mr. Gaitskell for directing my attention (and now, I hope, yours) to an important essay, "The Ideological Development of Socialism in Britain", that he has just published in "Socialist International Information", which elaborates the views that he threw out at me in our brief talk. As I believe this document may prove a watershed in Socialist thinking in all democratic countries, I propose to outline its basic ideas, allowing myself the liberty of interpolating some comments.

REVOLUTION OR DEMOCRACY

In order to re-state Socialist theory in the light of the needs of the second half of the twentieth century, Mr. Gaitskell goes back to the origins of the ideas which have hitherto held the Socialist field. He sees the beginnings of British Socialism in the 1880's. He points out that Marx's theory of determinism and of the class conflict made little appeal to the British who are "too practical in their reforming zeal to appreciate the solace of an 'inevitability' doctrine". What stuck in the popular mind was not Marx's theory of how the prices of different commodities were decided (the fallacies of which were soon exposed) but the notion that the existence of income from property or "unearned" income, which meant that part of the worker's reward was being stolen from him in so-called surplus value. But the deduction widely drawn from this in Europe that the capitalists must be expropriated, and that this could only be done by revolution, was rejected

by Britain largely because of the influence of the Trades Unions, which were too practical, too busy successfully fighting the workers' battles for better pay and conditions, to be attracted by revolution. It is only the frustrated or the desperate who go in for bringing the roof down over their own heads.

The tone and pace of British Socialism was set by the Fabians, who were the first to realise the practical possibilities of the full adult male suffrage that had just been granted, as a means of securing reforms by democratic political action. They accepted as an inevitable consequence of democratic methods the necessity of gradualism: votes could only be won by persuasion and persuasion takes time. This was one of their greatest contributions to British Socialism and, by sparing Britain useless diversion of energy in class struggles and revolutionary destruction, it has probably done as much as any other single factor to raise the British worker's standard of living.

Mr. Gaitskell gives short shrift to what he calls the Fabians' fallacies about rent. He points out that they confused three different questions: (1) whether not only rents but interest and profit were surplus incomes in the sense that if their payments were abolished the supply of land, capital, and risk-bearing would decline; (2) whether the receipt of rent, interest, and profit, was morally wrong, irrespective of the character and wealth of the recipient; and (3) whether the existing distribution of income among persons and classes was just. He points out that a distinction must be drawn between the rent of agricultural land, on the one hand, which contains a large element of interest or profit—the return on the capital invested in the land to maintain or to improve its productive capacity—and ground rents in a built up area, on the other hand, which are no more than payments for space, with no element of invested capital at all. Again, in the case of interest and profit, the Socialist Mr. Gaitskell is refreshingly realistic: he says that the differences between (1) short and long run effects of changes, (2) effects that large or small changes in the return have on the supply of capital, and (3) the effects of saving on the one side, and lower profits on risky investments, on the other, were not taken into account by the Fabians.

Even where, as with developed land, rent can be regarded as a true surplus payment, in the sense that the supply of land cannot vary, Mr. Gaitskell does not think this to be justification for singling out those particular property owners for high taxation or for expropriation rather than other property owners. If it could be assumed that all landowners were wealthy individuals who had inherited their property, it might be fair to tax them heavily, but the justification would be the scale of their wealth, and that it was inherited, rather than the type of their property. But this assumption cannot be made in a modern economy in which property is constantly changing hands. Anyone can today switch his wealth from land to securities or vice versa. The owners of developed land nowadays include people of very different levels of wealth: insurance companies which invest the premiums paid by millions of individuals, building societies and other corporate bodies.

Mr. Gaitskell sums up by saying that the influence of the Fabians was less through their Socialist theory than through their insistence on democracy and their work on the practical details of immediate reform.

GUILD SOCIALISM

Mr. Gaitskell next reviews Guild Socialism (associated with the name of G.D.H. Cole) which rejected the Fabian thesis of winning power gradually by democratic means, condemning this as a hopeless compromise with capitalism. Guild Socialism based itself on the class war which could only be won by revolution brought about not by the ballot box but by the organised workers. Its theorists opposed nationalisation and wanted ownership transferred to the workers organised in their trades unions. They rejected the supremacy of Parliament and wanted an Assembly representing industry—the producers.

In view of the Marxist-Communist ideology that prevails over a considerable part of the contemporary world, it is significant that Mr. Gaitskell misses no opportunity of proclaiming his belief in progress by constitutional democracy and he emphasises that the revolutionary ideals of the Guild Socialists were completely rejected by the British Labour Party, as by the overwhelming majority of the British people. He argues that there could not have been a more vivid illustration than the British General Strike of 1926 of the "absurd myth" of syndicalism that at the right moment capitalism would of itself collapse. Having in that strike been led to the brink of revolution and seen what lay ahead, the British Labour Movement lumbered decisively away. Thereafter it was accepted that political objectives must be fought for through the Labour Party and the ballot box, while the unions stuck to their job of improving the conditions of the workers.

It was not only the General Strike which clarified the mind of the Labour Movement on how to try to secure power. The success of the Labour Party in increasing its numbers in the House of Commons, be-

coming the official opposition, and then forming a government, brought with it a much wider understanding of the nature of parliamentary democracy, and made it seem more and more absurd to think and talk in revolutionary terms.

While thus forthrightly condemning the revolutionary aspects of Guild Socialism, it is interesting to observe that Mr. Gaitskell maintains that their real contribution to Socialist thought was the recognition that nationalisation solves no problems and is only the exchange of one set of bosses for another. Mr. Gaitskell's essay makes it clear that the future of British Socialism does not lie in nationalisation. In what direction it does lie, we will examine next week.

THE EASTERN ECONOMIST

(Subscription Rates)

		Payable in advance	
		India	Foreign
		Rs.	Rs.
Annual	.. .. .	50	66
Half-yearly	.. .. .	25	33

Copies delivered by air in Bombay, Calcutta and Madras at an extra cost of Rs. 9/- per year.

Foreign air rates on application. Offices in New York, London and Tokyo.

The Manager,

THE EASTERN ECONOMIST LTD.,

52, Queensway

NEW DELHI



INDIA STEAMSHIP CO., LTD.

Our Fleet

S. S. INDIAN MONSTER	S. S. INDIAN EXPORTER
S. S. INDIAN TRADER	S. S. INDIAN NAVIGATOR
S. S. INDIAN SHIPPER	S. S. INDIAN MERCHANT
S. S. INDIAN IMPORTER	S. S. INDIAN COMMERCE
S. S. INDIAN RENOWN	S. S. INDIAN RELIANCE
S. S. INDIAN ENDEAVOUR	

Calling at :-

PORT SUDAN, PORT SAID, ALEXANDRIA, LONDON, LIVERPOOL, DUNDEE, ANTWERP, ROTTERDAM, HAMBURG, BREMEN, and other ports.

Regular cargo service between INDIA-U.K.-CONTINENT and also INDIAN COASTAL service

LIONEL EDWARDS LTD., 9-11, CLIVE BUILDINGS, CALCUTTA-1.

A DELHI DIARY

ESCAPE TO THE IVORY TOWER

JOURNALISTS, unhappy people, do not easily find an escape to an ivory tower. This week allows me an unusual chance; I propose to bury myself in two academic institutions. This escape comes opportunely; I am seeking a mental escape from the display of violence in Bombay and the strange political antics in at least two other (unmentioned) States. The escape valves are the Delhi School of Economics and the Indian Institute of Public Administration. On the first I might say that practitioners of the dismal science must be heartened by the respect it is gathering; even the Prime Minister of India took time off from what might be called 'law and order' duties (in view of Bombay) to clothe himself in academic robes to open the new building of the Delhi School of Economics. Some of the observations made on the occasion were as far removed from the battle in the streets of Bombay as the ivory tower is removed from the real world. That is for the Prime Minister, as for me, all to the good. I count economics a highly honoured calling in that it has merited the top priority on a day of public crisis. Long may the ivory tower—in economics or otherwise—enjoy equal honour! Equally long may it live to provide relief from non-academic tension!

The opening of the great new building of the Delhi School of Economics deserved not merely this honour; it deserved rather more general interest than I feel it has received. I notice that while some pictures of the School have appeared in the Press, even the Prime Minister's speech on the occasion did not appear on the front-page of most newspapers. Is economics not worthy of greater reverence than it obtains? Looking at the front-page of a particular paper, I observe that it was captured entirely by politics on Thursday morning. Thus having raised economics to the highest of pedestals, I fear that I must now dash it to the ground. The dismal science has attracted wide attention from above; it is not attracting the crowds in the newspapers or elsewhere. In the Age of the People, cannot economics be made the people's (indigestible?) food?

ECONOMICS WITHOUT POLITICS?

The dismal science has not won respect in the country notwithstanding the performance of an imposing Panel of Economists and the circulation of their slightly less imposing papers. Can it be that this is because of a feeling that economists do not exercise power and it is believed their influence is greatly restricted? I think this is true. I wonder, for example, how the opening of the Delhi School of Economics here will compare in history with the opening of the London School of Economics, that one-time centre of radical thinking, now old enough to be conservative! I had the feeling that a great opportunity was missed in Delhi on Wednesday. The political ferment which surrounded the opening of the London School of Economics because of the rising power of the British Labour Party, backed by established Fabian Socialism via the Webbs and Harold J. Laski was completely absent. The London School of Economics was economics made practical; it was a political apparatus. There is no belief at the moment that any School of Economics in India is part of the political scene; that may be a reason why this campus was not filled with white austerity and from the lavishness of the buildings, it has no other!

In some ways I am happy that this is so. It does seem to me that there is enough, and, indeed, too much politics (and austerity) already mixed with Indian economic thinking. If the political parties went to our Schools of Economics for advice (as did the Labour Party at one time in the London School of Economics)

the position will be worse and not better. Almost certainly Shriman Narayan Agarwal would be installed in a position of high authority in the School thereby (I hope he will forgive me!) greatly imperilling its academic reputation. Now at least we know that Congress economics takes its chance with every other brand. Almost any horse may win; or do they all lose?

BIRLA BHAVAN

The new building of the Delhi School which the Prime Minister opened was constructed with a donation of Rs. 6 lakhs from the Birla Education Trust. Mr. V. T. Krishnamachari announced on behalf of the Governing Body that it has been decided to name the building "Birla Bhavan" and made a handsome acknowledgment of the fact that in the working of the Birla Education Trust and in this case wealth has been used for a noble purpose. It was only appropriate that it should have been recognised in this manner. It was also right that full tribute should be paid to Dr. V. K. R. V. Rao (Alphabet Rao as he is affectionately called) who has made the building of this School his ruling passion in the last few years. There is being built up through his efforts a school of thought in Delhi which, whether one agrees with it or not, will need to be taken into account in academic work.

So far as the making of a policy is concerned 'The Eastern Economist' has already expressed my heretical views; the economists will always be left waiting in the corridors until they become practical men as so many economists in the United States have always been, and as a few economists in the United Kingdom are becoming. As practical men need occasionally to escape to the ivory tower, so economists must, it seems, mix in the market-place. Economic theory is full of rarefied assumptions that very few of its theorems are capable of translation into the real world except with a very liberal sprinkling of non-economics.

PUBLIC ADMINISTRATION

I now pass quickly to the opening of another institution, the specialised Library of the Indian Institute of Public Administration at Sapru House. The Indian Institute of Public Administration was established only in March 1954. It is, therefore, still an infant in terms of the normal lives of institutions. It has had, however, quite significant success, and the Directors and Executive Council can certainly congratulate themselves on the new Library which was opened by Pandit Govind Ballabh Pant on Sunday. The Indian Institute of Public Administration has not wanted funds. But much more goes into the building of an institution than mere finance. The success of the Indian Institute is to be reckoned in terms of the enthusiasm it has raised amongst some—by no means all—of its members. In a whisper I must admit that the enthusiasts come from the public sector!

So far as the Library is concerned, one notices that there has been a careful selection of books designed to serve only those fields of study which constitute the Institute's main business. It is good to see that this includes an Information and Reference Service to assist work in Study Groups and Research Projects. One such Research Project on the organisation and administration of municipal services in New Delhi has been taken in hand. My information does not go far enough to indicate whether precautions against jaundice are included in its terms of reference. Perhaps it is not too late to include this important field although this would look like closing the stable after the horse bolted away!

ARGUS.

Economic Report from the U. S.

NO TAX REDUCTION: MORE FOREIGN AID PROPOSED

(BY GUY SIMS FITCH)

WASHINGTON, Jan. 17.—One of the Eisenhower Administration's major economic goals was realised this week, when the President reported to the United States Congress that a balanced Federal budget is in sight for the fiscal year beginning on July 1. What is more, present estimates indicate that the budget also will be balanced in the current fiscal year, which ends on June 30.

Yet the fact that the Government's accounts will probably show a surplus for the first time since 1951 is not in itself the most significant element in the President's message. What makes the message particularly important is that the budget balance will be achieved without sacrificing the Administration's other basic objectives. These can be described, generally, as an ever-growing domestic economy, and continuing co-operation with other nations in the joint search for enduring world peace and well-being.

US economic growth during the past year has been the principal factor underlying the favourable budget situation. In line with the President's firm support for constructive programmes in the foreign and domestic fields, US spending in the fiscal year 1957, at \$65,900 million, will be about \$1,800 million higher than in the fiscal year 1956 and \$1,300 million higher than in the fiscal year 1955. But rising national income accompanying the present prosperity is expected to bring in revenues of \$64,500 million this year and \$66,300 million in 1957.

The projected level of receipts presupposes no cuts in either corporation or individual income tax rates. This is hardly the accepted political course in a year of prosperity, particularly with Presidential elections coming up next November. A more politically expedient course would have been to recommend reductions in both taxes and spending. But the President evidently prefers a position of "fiscal integrity" whereby reduction of the national debt would take precedence over tax cuts. At the same time, he has made it clear once again that progress toward a balanced budget will not be allowed to interfere with US expenditures for peace and prosperity.

So it is that while shunning a tax cut for Americans, he has recommended increased outlays for protecting the national security, expanding US assistance to other countries, and stepping up domestic programmes to build more schools and highways, improve urban facilities, strengthen agriculture, and conserve natural resources. These outlays are proposed with a thought not only to today, but to tomorrow and the day after as well.

This continuity of US policy can be seen most clearly, perhaps, in the field of foreign aid. Since the end of World War II, the United States has provided some \$56,000 million to help other nations revive their war-shattered economies, accelerate their industrial and agricultural development, and protect their national security. About \$46,000 million of this has been in the form of outright grants, the rest in long-term loans.

In the 1957 budget he presented to Congress this week, the President proposes that another \$4,300 million be spent for these purposes, about \$100 million more than in the fiscal year 1956. In addition, he recommends that Congress actually authorize new foreign aid obligations of \$4,900 million, an increase of \$2,200 million over the obligations enacted for the current fiscal year. But it is fair to assume that this Congress, which last year extended the US Trade Agreements Act for another three years and gave the President additional tariff-cutting authority, will go far towards meeting the long-term objectives outlined by Mr. Eisenhower.



CAUSTIC SODA	HYDROCHLORIC ACID
LIQUID CHLORINE	FERRIC CHLORIDE
BLEACHING POWDER	BURNT LIME
SLAKED LIME	CALCIUM CHLORIDE

CAUVERY BRAND Chemicals are always dependable, always consistent in quality. If you are in a business which uses chemicals, it will be to your advantage to consult us.

THE METTUR CHEMICAL & INDUSTRIAL CORPORATION LTD.
METTUR DAM R.S. . . . SALIM QT.
Managing Agents: **SESHASAYEE BROTHERS LTD.**

Aluminium—India's fastest growing Industry

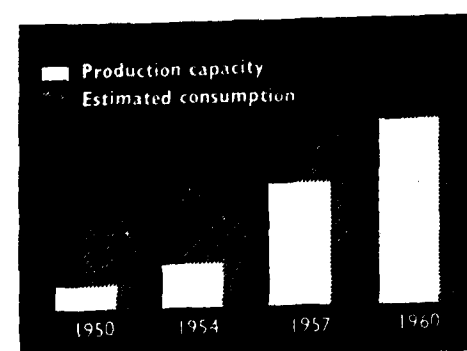
REGARDED with little favour — even for household uses — by the ordinary man-in-the-bazaar some fifteen years ago, Aluminium has today become the engineer's favourite light metal. It is now fast replacing other metals and wood in the construction of railway-coaches, bus-bodies, aircraft and ships. Experts estimate that by 1960 demand for Aluminium will have doubled, rising to about 40,000 tons per annum.

Company's production capacity to 15,000 tons by 1958. In implementing this major project, Indian Aluminium Company will be able to draw upon the resources and know-how of its Canadian associates, Aluminium Limited — the world's largest group of aluminium companies.

What will it cost ?

The estimated capital requirements for Indian Aluminium Company's Hirakud project are about Rs. 9 crores. A part of these requirements will be raised by a fresh capital issue, half of which will be subscribed by Aluminium Limited and the other half offered to the public.

Aluminium is facing a bright future in India today. India's vast bauxite deposits and water-power resources can support a large aluminium industry for years to come. Harnessing these natural resources, Indian Aluminium Company's Hirakud project will be an important step towards India's goal of self-sufficiency in Aluminium.



What is being done to increase Aluminium production ?

Simultaneously with expanding demand, India's production of Aluminium will increase many times. Indian Aluminium Company, who started the first Aluminium smelter in India, are now installing another smelter at Hirakud, Orissa. This smelter will triple the

Indian Aluminium
Company Limited

A Canadian—Indian enterprise



G.E.C.

FOR EVERYTHING ELECTRICAL

Every minute of every day someone, somewhere, needs G.E.C. electrical equipment. Everything which is operated by electricity or for the generation of electric power, can be obtained from the G.E.C. — the largest British electrical manufacturing organization.

GEC 3457.

THE GENERAL ELECTRIC COMPANY OF INDIA LTD.
Representing: THE GENERAL ELECTRIC CO. LTD. OF ENGLAND

WORLDGRAM

AGRICULTURE

Production of Food Grains Exceeds Target: In the fourth year of the first Five Year Plan, the production of food grains in U.P. has exceeded the target of 9.82 million tons by 3.63 million tons. In 1950-51 the production in the State was 8.44 million tons. By 1954-55 the production was raised to 12.45 million tons. Production of jute has also gone up by 17,000 bales from 48,000 bales in 1950-51 to 65,000 bales in 1954-55. The target of 23 million tons of sugar cane by 1955-56 is also expected to be realized.

Farm Management Methods for Fish Breeding: The application of farm management methods to fish farming, worked out by the F.A.O., have been taught at an international Centre on inland fisheries and fish culture at Bogor in Java. Lectures on management principles were given by a farm management specialist of the U.S. Department of Agriculture who has studied the economics of fish culture in Western Germany, Israel, India, Thailand and Malaya.

Economic Developments in Indonesia: Indonesia's food production during the first half of 1955 was adversely affected by the flood damage to the rice crop and the failure of the maize crop in several regions. Rubber production also decreased. The estate rubber output of 131,000 metric tons during this period was 5 per cent lower than in the corresponding period of 1954, as a result of aging plantations, unfavourable weather, and thefts of latex; small-holder rubber output is estimated to have decreased by about 15 per cent. On the other hand, sugar production rose to 209,000 tons, from 126,000 tons in the first six months of 1954, and it is expected that output for the whole of 1955 will be 840,000 tons, against 718,000 tons in 1954. There were increases also in coffee and hard rope fibres, while the output of tea and palm oil during January-June 1955 was nearly the same as during the corresponding months of 1954.

Soil Conservation Work in Rajasthan Desert: A provision of Rs. 2 crores is expected to be made in the second Five-Year Plan for soil conservation work in the Rajasthan desert. The Rajasthan desert covers an area of about 80,000 sq. miles and extends into Kutch, Saurashtra and Bombay in the south and west, Punjab and Pepsu in the north and Uttar Pradesh in the east. The problem with regard to the Rajasthan desert, it is stated, is not one of afforestation alone, but of soil conservation and proper utilisation of land also. The principal cause of erosion in Rajasthan is overgrazing and indiscriminate felling of trees. According to the scheme prepared for inclusion in the second Five-Year Plan, expenditure on the Desert Afforestation Research Station at Jodhpur and its extension activities will be met by the Government of India.

INDUSTRY

Measurement of Building Works: The Indian Standards Institution has circulated for eliciting comments a draft Indian standard method of measurement of building works. The measurement of building works occupies a very important place in the planning and execution of any project. The methods followed in the country for the measurement of building works are by no means uniform, and considerable differences exist between the practices followed by the Central Government, State Governments and the private building industry. While each system of measurement has to be specifically related to the administrative and financial organization of the construction agency responsible for

the work, a unification of the various systems at the technical level has been accepted as very desirable. The standard has been prepared with the object of unifying the various practices and has 20 sections dealing with different aspects of construction work and installation services.

Development of Khadi Industry: The Government of India have sanctioned a sum of over Rs. 10,10,000 to the All-India Khadi and Village Industries Board for the development of the khadi industry. For the Ambar Charkha training scheme an additional expenditure of Rs. 4,95,000 has been sanctioned. The amount is to be utilised for providing stipends and tuition fees for 1,000 trainees and 500 carpenters. For providing equipment grant of Rs. 200 for each trainee in the six regional vidyalayas, the Board has been sanctioned an additional expenditure of Rs. 44,000. For the implementation of the Vastraswavalamban scheme during the current financial year, a further sum of Rs. 3 lakhs as grant has been provided.

Production of Steam Road-Rollers: On the recommendation of the Manufacture of Road-Making Machinery and Mechanization Sub-Committee of the Indian Roads Congress, the Government of India have decided to establish another unit to manufacture steam road-rollers in India on a permanent basis, it is understood. The Committee reviewed the various problems experienced in the manufacture of road-making machinery in India and recommended the setting-up of two stone-crusher units in the country. With regard to the establishment of a diesel road-roller industry in India on a permanent basis, the Committee surveyed the progress made so far and suggested that suitable steps be taken to ensure that the industry is established along with phased manufacturing programme approved by the Union Government.

TRADE

Export of Green Tea Held Up: In a representation submitted to the Central and State Governments the Amritsar Tea Traders' Association has stated that export of green tea worth about Rs. 1.5 crores to Afghanistan and other Central Asian Countries has been held up and stocks worth about Rs. 60 lakhs are lying in godowns in Amritsar. According to the representation, this has happened after the amended Prevention of Food Adulteration Act came into force. It is feared that thousands of workers and traders are faced with the threat of unemployment as a result of the stoppage of the export trade.

Radioactive Isotopes for Export: Restrictions on the export of radioactive isotopes required for medical, agricultural, industrial and scientific purposes, are expected to be relaxed by the U.S. from mid-February. This follows a promise made by U.S. authorities at the Geneva Conference on peaceful uses of atomic energy to liberalise U.S. export procedures for radioactive materials. Exports will be permitted to the Soviet bloc also where they are not inimical to the "defence and security of the U.S.A."

Framing of Export Credit Guarantee Scheme: The Government of India have had under consideration a proposal to introduce an Export Credit Guarantee Scheme for India to stimulate exports. The scheme is conceived to be mainly based on the principle of insurance and is intended to provide a guarantee to the exporter against losses resulting from circumstances which are beyond his control and which are not ordinarily accepted as insurable risks by insurance companies such as insolvency of the foreign buyer, unforeseen

changes in regulations relating to foreign exchange, occurrence of war, incurring of extra delivery charges etc. The Government has now decided to appoint an Export Committee, (1) to examine the suggestions made in this behalf and to consider the scope of the Export Credit Guarantee Scheme, (2) to make recommendations in regard to: (a) the nature of risks to be covered (b) the basis on which premia should be fixed; (c) the structure of the organisation that will be required for the implementation of the scheme; and (b) any other matter necessary for the successful operation of the scheme.

Relaxation of Restrictions on Sample Imports: Import of samples and advertising material from abroad has been eased as the result of a new treaty which came into effect on November 20 for 15 nations. The treaty, in the form of a convention, was sponsored by countries which work together under the General Agreement for Tariffs and Trade (GATT) to reduce trade barriers. Those party to the treaty will allow specified material to enter their countries free of duty and quota restrictions.

FINANCE

New Members of I.F.C.: Britain has now joined the International Finance Corporation, the affiliate of the International Bank for Reconstruction and Development, intended to encourage productive private enterprise, especially in underdeveloped countries. The Corporation will have a capital of \$100 million. Egypt was the first West Asian country to sign the Corporation's Articles of Agreement, and Ecuador was the first of the Latin American Countries to do so recently.

Loan to Honduras: The International Bank for Reconstruction and Development has made a loan of \$4,200,000 to Honduras to enable a highway maintenance organisation to be set up and to begin operations. The loan will finance preliminary engineering studies for the improvement and new construction of various sections of two important trunk roads in Honduras, the Northern and Western Highways.

US Foreign Aid in Fiscal, 1955: Net deliveries of goods and services or cash payments to foreign countries under the US foreign aid programmes totalled \$4.5 billion in the fiscal year 1955. The decline of \$760 million from fiscal 1954 was due primarily to a 28 per cent decrease in transfers of military supplies and services, the greatest contraction occurring in shipments to Western Europe, which have fallen 50 per cent since fiscal 1953. Other grants rose almost one fourth, to \$1.9 billion, reversing a five-year downward trend. This increase was due largely to cash payments to France and Indo-China to help defray costs of the Indo-Chinese war.

Development of Handicrafts: More grants and loans, amounting to over Rs. 5,63,000, have been sanctioned by the Government of India to the All-India Handicrafts Board and to five States, West Bengal, Saurashtra, Rajasthan, Himachal Pradesh and Madras for the development of handicrafts. West Bengal gets two loans of Rs. 29,000 and a grant of Rs. 6,470. For the development of the papier machine industry, Saurashtra has been given a grant of Rs. 16,000. Rajasthan gets a loan of Rs. 12,000 and a sum of Rs. 9,255 as grant. A sum of Rs. 9,600 as grant has been sanctioned to Himachal Pradesh. Madras gets a grant of Rs. 5,450. The All-India Handicrafts Board has been sanctioned an expenditure of Rs. 4,75,000 for organising an exhibition of Indian handicrafts goods in the Leipzig Fair to be held in East Germany this year.

Customs Revenue in November Falls: According to the returns received in the Department of Commercial Intelligence and Statistics, the total gross sea and land customs revenue collected in the Indian Union during November, 1955, amounted to Rs. 13.79 crores as compared with Rs. 13.71 crores in the corresponding month of the previous year. The comparison in the subsequent paragraphs should be taken to refer to that of the current figures with the figures of the corresponding period of the preceding year. Of the total customs revenue collections, import duties accounted for Rs. 10.77 crores as against Rs. 13.21 crores, export duties for Rs. 2.76 crores as against Rs. 5.2 crores and land customs and miscellaneous for Rs. 26 lakhs as against Rs. 30 lakhs. The total gross collection of Union excise duties amounted to Rs. 11.67 crores as compared with Rs. 8.84 crores. During the eight months, April to November 1955, the grand total of gross customs and Union excise revenue realized was Rs. 203.36 crores as compared with Rs. 174.96 crores during the corresponding period of the preceding year. Of this amount, import duties accounted for Rs. 81.08 crores as against Rs. 84.51 crores, export duties for Rs. 24.48 crores as against Rs. 22.37 crores, land customs and miscellaneous for Rs. 1.17 crores as against Rs. 1.99 crores and Union excise duties for Rs. 96.63 crores as against Rs. 66.09 crores.

GENERAL

Fellowships for Foreign Students: More than 50,000 fellowships and scholarships available to foreign students in over 100 countries and territories are listed in the 1955-56 edition of "Study Abroad", published by the UNESCO. It also shows that, in 1954, there were 125,000 students studying in foreign countries. The country having most of them is the USA with 33,833 students. Next come France (9,329) and the UK (8,619). In Latin America, Mexico has the largest number of foreign students (2,039), and in Asia, Japan leads with 3,768 students.

Modern Visual Techniques in Education Campaigns: Under the United Nations world programme of technical assistance for economic development, Unesco is sending this month a British producer of educational and documentary films to Cambodia to help put modern visual techniques to work in an education campaign aimed at raising standards of living in rural areas. He will assist a team of Cambodia educators and Unesco specialists who have begun a fundamental education campaign in some villages in the country.

Annual Session of ECAFE: Some 200 representatives from 24 Asian and non-Asian countries and territories will be present at the twelfth annual session of the ECAFE, to be held in Bangalore from February 2 to 14. One of the highlights of the Commission's session will be a two-day debate on Asia's economic situation. Among the salient problems to attract the main attention of the delegates will be those of economic planning, regional co-operation in economic development, population problems, industrialisation and diversification of Asian economy, and various U.N. advisory services.

Record Air Traffic in 1955: Year-end figures released by the International Civil Aviation Organisation show that passenger and cargo traffic carried by international and domestic scheduled airline companies reached record peaks in 1955. A total of 69,000,000 passengers, 10 million more than the previous year, travelled by air, and each individual journey averaged 559 miles in length. The increase in traffic in 1955 over 1954 is considerably greater than the increase in 1954 over 1953. Cargo carried increased by 19 per cent in 1955 as compared to an increase of 7 per cent in 1954, and passenger-miles and kilometers increased by 18 per cent as against 13 per cent in 1954.

NEWS IN BRIEF

INDIAN

A delegation of Belgian scientists will be in India from the 23rd to the 30th January. They will, while in Delhi, deliver a lecture on the latest developments of steel manufacturing in Belgium.

A sample survey conducted in about 1,100 villages in India in 1951 revealed that 143 systems of weights and measurements were prevalent. Legislation was enacted as far back as 1871 to introduce metric system in the country, but the Act remained a dead letter.

India's food imports came down to 0.77 million tons in 1955 from 4.7 million tons in 1950-51. Food imports in 1955 were primarily meant for building up a reserve rather than for consumption.

In all, 2,668 vessels with a gross tonnage of 13.49 millions entered Bombay port during 1954-55. Of these 1,299 flew the Indian flag, 624 British, 114 Norwegian and 108 American. The largest vessel that entered the port had a gross tonnage of 34,183.

Foreign capital to the tune of Rs. 28.76 crores has so far been invested in the three new oil refineries in India as against Rs. 15.01 crores of Indian capital. Rs. 13.97 crores of foreign capital and Rs. 4.25 crores of Indian capital are expected to be invested further in these refineries.

Receipts in the Prime Minister's National Relief Fund, which was created in November 1947, totalled Rs. 1,60,14,168 at the end of December, 1955. From December 21 to 31, 1955, a sum of Rs. 1,14,873 was received in the Fund.

Scholarships to the children of the Bombay Port Trust Staff accounted for Rs. 13,490 out of a total expenditure of Rs. 54,309 from the Employees' Welfare Fund of the Trust in 1954-55. This represents the highest single item of expenditure from the Fund during the year.

On the recommendation of the Central Social Welfare Board, thirty eight Harijan Welfare institutions were sanctioned grants totalling Rs. 55,550 during 1955, by the Ministry of Home Affairs. The Institutions are distributed over a number of States.

With the establishment of the 153 new National Extension Service Blocks as sanctioned by the Community Projects Administration, the total number of such blocks will be 732, covering 73,000 villages.

Dr. Francesco Chiarini and Mr. Giovanni Lescovici, two Italian experts from the Firm of Snia Viscosa, Milan, are now in India on the invitation of the Union Government to study the scope for the manufacture of rayon grade pulp and newsprint.

The Government of India, it is learnt, has decided to import cement from certain soft currency areas, such as Japan, Czechoslovakia and Poland, since the local production will not be able to meet all urgent requirements of the country.

India's shipping by 1960-61, when it is expected to reach a target of approximately nine lakh tons, will be in a position to carry India's entire coastal trade in addition to 50 per cent of the adjacent trade and 15 per cent of the overseas trade.

FOREIGN

The UN General Assembly has named Argentina, Australia, Canada, Chile, United States, France, Lebanon, Pakistan, and the United Kingdom to serve on a Committee which negotiates with Governments for voluntary contributions to pay for those UN operations not financed from its regular funds.

Tea in Britain will be 4d. a pound cheaper on January 23, the price averaging about 6sh. 6d. a pound. Last year this time it was 8sh. 4d.

It has been announced that Pakistan will receive the second largest allocation of over \$1 million during this year's UN technical assistance programme. Some 98 experts will work on various nation-building projects this year and 75 fellowships will be awarded to Pakistanis to study about 50 subjects abroad.

Greece is the twentieth country to ratify the international agreement sponsored by UNESCO under which signatories abolish duties in books, newspapers, works of art, etc., for the blind. The agreement has been in force since May 1952.

At the request of the Vietnamese Government, the United Nations has sent an economic survey mission to help Viet-Nam overcome its economic problems. The mission will advise on ways to increase production, achieve full employment and ensure economic independence.

Japan has decided to send 27 technicians to India, Pakistan and Ceylon and South-East Asian countries, seeking technical assistance under Colombo Plan Agreements.

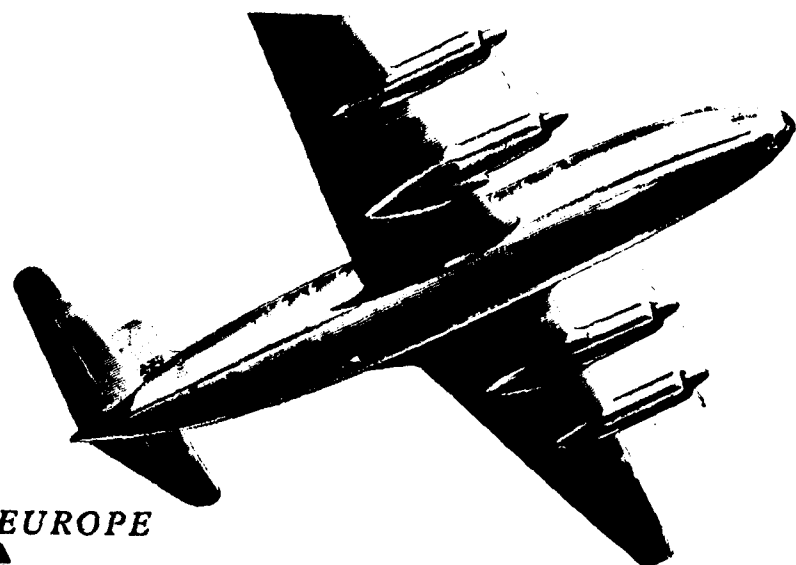
Japan will co-operate with other Asian nations in the field of vocational training in education both for students and for workers, from the standpoint of mutual economic development.

New British investment in Australian companies almost doubled in 1953-54 compared to the previous year. Since 1947, British investors have provided £A258.9 million of the total overseas investment in Australia of £A361.8 million.

Australia's four most experienced and largest makers of sugar-milling equipment known as Associated Engineering Manufacturers of Australia Proprietary Ltd., have combined to manufacture for export modern milling equipment. The Company can offer complete plants of the most modern and efficient design.

A British firm is reported to have developed a proofing process eliminating corrosion on the mild-steel parts of motor cars, trucks, etc. The new process is claimed to cause no delay in production and the costs are believed to be below those of present processes.

The Pakistan Government has sanctioned Rs. 3 million to West Pakistan Government for social uplift schemes of the former Punjab area. Health Schemes in this area are expected to cost Rs. 2.5 crores, of which over Rs. 1.6 crores have been sanctioned so far.



WHEN IN EUROPE

fly BEA IN EUROPE'S FINEST AIR FLEET

For business, for pleasure—you'll do far more and see far more . . . if you fly BEA on your next trip to Europe. BEA's famous—and ever-expanding—network offers passengers fast and frequent services to over 50 of Europe's main business and holiday centres. BEA have more of the best airliners—more VISCOUNTS, for example, than any airline in the world. And BEA's long experience in air transport means you enjoy comfort on all routes, and personal service second to none.



BEA links LONDON with most of the principal cities of Europe, including—PARIS · NICE · BRUSSELS · VIENNA · AMSTERDAM · OSLO · STOCKHOLM · COPENHAGEN · HAMBURG · GENEVA · ZURICH · BARCELONA · ISTANBUL · MADRID · LISBON · PALMA · MILAN · ROME · NAPLES · ATHENS, and further afield, for example, to GIBRALTAR · MALTA · CYPRUS and CAIRO as well as WITHIN BRITAIN.

... and fly on the BEA CAR HIRE PLAN

BEA's new Car Hire Plan now makes the rest of your travel smooth as clockwork—in France, Holland, Belgium, Switzerland, Norway, Sweden, Denmark, Italy, Germany, Cyprus and in Great Britain. No deposit; full insurance.

BRITISH EUROPEAN AIRWAYS

Full details of air reservations from your local Travel Agent or any office of B.O.A.C. All arrangements for car bookings at BEA Offices in Europe; or BEA, Dorland Hall, 14-20, Regent Street, London, S.W.1. Gerrard 9833.



Special Articles

FROM WEALTH TO CAPITAL COEFFICIENTS

[This is the first of a series of four exclusive articles on Capital Coefficients written for "The Eastern Economist" by Colin Clark, Director, Agricultural Economics Research Institute, Oxford University.—Ed.]

MANKIND (or economists at any rate) tends to go to the extremes; and what is worse, having got into an extreme position and then got out of it again, often tends to oscillate violently into the opposite extreme.

So it has been with the economists' treatment of capital, both as a subject of statistical measurement and of theoretical reflection. Before 1914, this subject received what appears to us now altogether excessive attention. A great many statisticians, who ought to have been building up some knowledge of national income and national product, were devoting their attention to measuring national capital, often by methods which we now recognise to have been hopelessly erroneous. There were, in those days, a great many more studies of national capital than there were of national product, and we have got very little value from them. And we need not say very much about the manifold but not very fruitful labours of theoretical economists on the subject of capital in those days.

Then came the epoch in which we were all primarily interested in national product; and a very good thing too, because the world badly needed the information. By 1939, the work had advanced to different stages in different countries. In the United States and Germany, national product was already the subject of regular annual enquiry, reasonably thorough and accurate on the part of government departments, and Canada was just about to join them. But in Britain, France, Australia and the Scandinavian countries, as in India, statistics of national product were still only available from the studies of private individuals or universities. The needs of war, even in countries which were neutral or only indirectly participating, and of attempts to check inflation, certainly made the whole world take an interest in securing accurate and up-to-date statistics of national product—although many investigators were content with estimates of money product and devoted far too little effort to securing figures of real product. We need not accept Professor Galbraith's claim that the statisticians did nearly as much to win the war as the generals—Germany and Japan had statisticians too!—but we can agree that, now that nearly every country in the world has some accurate, regular, up-to-date official estimates of national product, both governments and public opinion are now much better informed than they used to be, and probably many foolish mistakes have been avoided, and the world is much better off in consequence.

India began to publish such information in 1951, referring to the year 1948-49.

These innovations affected not only the world affairs, but also the universities, which, freed from having to attempt to compile estimates themselves (a task clearly better performed by government departments) were able to disseminate knowledge on this subject more widely, and to revolutionise the method of teaching economics to first-year students. Professor Hick's "The Social Framework", first published in 1942, was a landmark in this respect. Instead of labouring to get the first-year students to grasp a purely abstract set of concepts, which very few of them can successfully do, a good professor of economics will now begin by introducing them to the interesting facts

of their own country's national product, of its growth, and of its distribution.

Meanwhile, the economists have been interesting themselves in theories of economic growth. This interest should not be slightly regarded—it is an important subject. Particular mention may be made of the work of Professor V. K. R. V. Rao in India, all through the 1930's a lonely but cheerful pioneer in this field, working single-handed in face of official neglect; Professor Lewis (a West Indian by birth) in England; and Monsieur de Jouvenel in France.

While these exciting developments in the study of national product have been taking place, however, the study of national capital, both in statistics and in theory, has been somewhat neglected. It is true that national product studies in many countries have given us a considerable amount of information about that part of the national product devoted to gross capital formation, in money terms, and sometimes in real terms. But we have much less information, unfortunately, about net capital formation, that is to say, after making the appropriate deductions for maintenance, depreciation and obsolescence, an awkward enough problem when we are measuring in money, and still more difficult in real terms. And, until very recently, in nearly every country there has been a shocking dearth of information about the real value of capital stock. (In this case, figures measured in money terms are of very little value, because much of the present capital stock was accumulated in past years when prices were very different from what they are now). Alarmed by the obvious errors and excesses of their predecessors, economic statisticians have tended to avoid this subject. It is all very well to know a country's present rate of gross capital formation, better still its rate of net capital formation, and the various objects to which it is being devoted. But we cannot really get much value from this information, or make plans or judgments about the future, unless we know the capital stock already held, and its relative rate of increase, not only for the national capital as a whole, but also for its component sectors (industry, transport etc.)

It remains to be added that there are signs that this defect may be quite rapidly rectified in the next few years. The international "trade union" of statisticians, both official and private, working in this field, formed in 1947, gave itself the title of the International Association for Research in Income and Wealth, treating the two branches of study as of similar importance. Some important studies in the field of wealth, or capital stock, have recently been completed, and will be described below, and a number of others are in contemplation. There is also a revival of interest in studies of capital among theoretical economists.

It can only be hoped that this movement will not, in its turn, be carried to excess.

The economist is bound to distinguish sharply between two concepts—"real capital", i.e., equipment, buildings, structures, stock in trade and other physical goods which can be used for purposes of production, and "money claims", i.e., property or legal claims whereby a certain sum of money is due to be paid, or assets which can be sold for money. It may appear at first sight—eminent statisticians in the past have

indeed thought so—that the total value of money claims must equal, or at any rate approximate to the current money valuation of real capital. Unfortunately this is not the case, even by a wide margin. There are a number of important categories of money claims which do not represent anything like an equivalent amount of real capital; and, on the other hand, there are certain forms of real capital, which though undoubtedly possessing considerable value, could not be sold.

The danger of modern studies of capital by some economists is that they will either blur this distinction, or pay excessive attention to money claims, which we must recognise, are, while undoubtedly important, nevertheless a matter of secondary interest. The primary object of interest is real capital.

The key figure required for the formulation of any policy of economic development is that which is known as the capital-output ratio, or sometimes the capital coefficient. This is the figure of the number of millions of rupees of net capital investment required (first for the national economy as a whole, and then by sectors) in order to raise net output by one million rupees per annum. It is clear that we here have to deal with net figures. To work with figures of gross capital formation, as some statisticians do, is obviously misleading. A rate of gross capital formation, for instance, which while amounting to a considerable sum in money nevertheless falls short of the amount estimated to be

required to meet maintenance, depreciation and obsolescence, will not add to output at all; it will, in the long run, reduce it.

We must make a further distinction between "average capital coefficient" and "marginal capital coefficient". The former figure tells us the score up to date, how much output is now being obtained, in all, from capital previously invested. It is important to know this. But it is even more important to know the "marginal capital coefficient", or what additions to output are to be expected from the additions to capital now being made. We may have grounds for expecting that the net investments which we are making now are more fruitful than those which our predecessors made, or that various new investments which are being made now will, in different ways, enable us to get a better utilisation of existing capital. There may be some grounds for holding the converse view, that the most productive investments have been made first, and that the new investment which succeeds them is likely therefore to have a lower marginal capital coefficient than the old. It is quite impossible to say *a priori* whether increasing returns or diminishing returns to capital are going to prevail; and the experience of different countries, at different times, gives us different answers. The complexity of the problem may make it more exciting; but at the same time, it will be readily seen how urgent it is that economists should attempt to get at any rate a provisional answer to it.

EXPORTS FROM INDIA 1950 TO 1955 A COMMONWEALTH SURVEY

COMMONWEALTH trade 1954-55—a memorandum prepared in the Intelligence Branch of the Commonwealth Economic Committee—comes opportunely each year. This publication sets out the pattern of trade of all the Commonwealth countries together in a form which highlights their interdependence and the character of the import and export trade of each member separately.

In the tables below there are set out details of the exports of India commoditywise and countrywise over five consecutive years. Most of the facts in regard to particular commodities are known and do not call here for special mention. What is interesting is the total picture which emerges of India's dependence upon the Commonwealth as buyer of her exports.

It will be seen that for every year included, India's exports to the Commonwealth were nearly 50 per cent of her total exports. It will also be seen that the figure has not—contrary to current opinion—tended to decline. On the contrary it has tended to rise. In the year 1954-55, for example, our exports to the Commonwealth were Rs. 323 crores out of a total trade of Rs. 578 crores, in other words, 56 per cent. In the case of 1952-53, the figure was only Rs. 281 crores of a total figure roughly similar to 1954-55, namely, Rs. 572 crores. In other words, in the last two years the percentage of Commonwealth trade has risen from 49 per cent to 56 per cent, a rise of nearly 7 per cent.

The Commonwealth picture is similar to the Sterling area picture though they are by no means identical, Canada being in the dollar area by currency distribution. Again, contrary to usual belief India's trade with the dollar area in value terms is not growing

EXPORTS FROM (In million

Year	Jute Goods	Tea	Cotton Goods
1950-51	1,145	804	1,384
1951-52	2,699	939	586
1952-53	1,294	809	703
1953-54	1,138	1,022	724
1954-55	1,240	1,471	664

and has declined steadily from the peak in 1951-52 in proportion greater than the decline in the value of our total trade.

So far as the total picture is concerned it thus appears that our very much best buyers are in the Commonwealth and in the Sterling area. This must be an argument for both a retention of the Commonwealth political link and no change in our position vis-a-vis the Sterling area.

EXPORT FROM INDIA (Countrywise) (In million rupees)

	1950-51	1951-52	1952-53	1953-54	1954-55
United Kingdom	1,352	1,879	1,224	1,501	1,847
Australia	299	466	170	175	244
Canada	136	162	128	131	174
Southern Rhodesia	17	28	14	20	21
Ceylon	192	165	198	183	169
Pakistan	304	453	309	80	96
Western Germany	88	87	124	116	145
Netherlands	96	77	102	65	129
Belgium	78	77	66	44	61
Italy	125	69	105	51	64
Burma	220	196	222	209	159
Japan	98	143	312	231	157
Egypt	57	64	57	35	82
U.S.A.	1,101	1,301	1,117	899	874

TOTAL					
all countries	5,968	7,289	5,723	5,258	5,780
of which to:					
Commonwealth	3,161	3,914	2,807	2,754	3,235
Sterling Area	3,343	4,047	2,950	2,913	3,332
Dollar Area	1,361	1,693	1,385	1,115	1,129
O.E.E.C. Countries	568	545	561	406	518

INDIA (Commoditywise) rupees)

Vegetable Oils & Oilseeds	Hides, Skins & Leather	Spices	Tobacco	All Exports
414	356	255	184	5,968
304	334	308	225	7,289
306	263	213	156	5,723
65	316	169	121	5,258
225	262	114	111	5,780

India's Tea- India's Wealth



REVENUE :

The Indian Tea Industry contributed to the National Exchequer Rs. 19 crores as export duty, and over Rs. 3 crores as central excise duty in 1954-55. Besides, it contributed large sums by way of State income tax, agricultural tax, road tax and certain imposts.



No other drink refreshes you so much, yet costs so little as **TEA**

162177

They look
the same

But only one is
PARAMITE
the reliable
Cable



Made by India's Largest Cablemakers



THE INDIAN CABLE CO., LTD

Established since 1923

Head Office: 9, HARE STREET, CALCUTTA

Works: TATANAGAR • Branches: MADRAS — COIMBATORE
Bombay, New Delhi, Ahmedabad, Ambala
Secunderabad, Nagpur, Jamshedpur,
Kapur, Bangalore, and Trivandrum.

THE RAMAYANA OF TULSIDAS IN ENGLISH VERSE

LATEST "HINDUSTAN TIMES" PUBLICATION

The famous Hindi epic regarded by many as "the greatest book in all devotional literature" is for the first time now available in English verse.

The translator, the Rev. A. G. Atkins, completed the book after ten years of devoted work. He has tried "to keep and express in English in the fine rhythm and music of the original in simple lucid language, and with as much of the vivacity, wittiness and picturesqueness that Tulsidas has put into his work." He has also followed in some measure Tulsidas's metrical variations such as *chhand*, *chaupal*, *doha* and *soratha*.

In a foreword Mr C. Rajagopalachari says: "Mr Atkins' monumental work and his Introduction are a revelation of hope for those who desire to see all the great religions of mankind come together. . . . His service is not only to English-speaking people but also to that very large number of Hindus in India who do not speak the Hindi language and to whom English has become a very familiar medium."

The book is of special value to libraries, scholars and devotees of Tulsidas.

It has been issued in the following four editions:

- I. Original text of Tulsidas with translation in English verse; three volumes; 1468 pages; price Rs. 50 net.
- II. Translation in English verse; without Hindi text, two volume; 898 pages; price Rs. 40 net.
- III. Special tissue paper edition of I, one volume, price Rs. 100 net.
- IV. Special tissue paper edition of II, one volume, price Rs. 100 net.

POSTAGE EXTRA

The Manager,

THE HINDUSTAN TIMES,
NEW DELHI.

Xm 2, N496E
N49-26

BOOK REVIEWS

THE MALAYAN ECONOMY

The Economic Development of Malaya: Printed and distributed for the International Bank for Reconstruction and Development by the Government Printer, Singapore, September 1955: Pages 520. Price: \$6.

The time is certainly opportune for a detailed description of the Malayan economy today; no more authoritative survey could have been desired than one by the International Bank. The publication of the report of the Mission organised by the International Bank for Reconstruction and Development, entitled "The Economic Development of Malaya", is therefore, a timely document, containing critical information on the economy of Malaya, and the Crown Colony of Singapore, and the problems facing them on the eve of major political changes.

The report is the work of a team of thirteen experts on agriculture, public finance, mineral resources, transport and communication, industry, power and social services. Divided into five parts, it contains a general introduction to Malaya and Singapore and a discussion of the problems and prospects of their development in Part I; deals with those sectors of the economy which are themselves productive or closely associated with productive activity in Part II, covers the various fields of social services in Part III and gives an appraisal of the financial resources available for development during 1955-56 in Part IV. Part V consists of technical reports on the various sectors of the two economies. Besides, it contains a statistical appendix and is dotted throughout with valuable tables and graphs.

The report is not intended to present a blue print of the various development projects suggested; it only outlines policy in general terms indicating how the economy of the two lands can be put on a sound footing. Due stress has been laid in the Report on changing pattern of Malaya's export trade—the main source of income of the State—due to technological changes effecting the use of tin and competition to natural rubber from the synthetic product. Essentially the economy of Malaya is not sought to be developed along any different lines than those now in operation. However, balanced stress has been laid on the various sectors of the economy.

Criticism may be levelled that the Report leaves many problems and issues untouched; it would be surprising if it did not. It is not less surprising, however, how much detail has been covered in this single piece.

It may safely be said that there has been no finer coverage of the economic problems of Malaya than is presented in this book. It is compulsory reading-matter for students of South-East Asia. It should find a place also in every reference library.

COMMERCE ANNUAL REVIEW NUMBER

Commerce Annual Review Number—1955: Pages 200: Price Rs. 7-8-0.

The annual review numbers of "The Commerce" usually provide a rich fare and this year's 200-page affair excels its predecessors both by its size and by its comprehensive coverage. The present number contains as many as 46 special articles on such topical subjects as private sector vis-a-vis the public sector, planning, company law, taxation and labour relations. The chronicler of political and economic events in 1955 finds the latter pleasant and the former rather depressing. With the second Five-Year Plan the subject

of discussion everywhere, quite a number of the articles deal with one or the other aspect of planning.

Mr. T. T. Krishnamachari, trying to define the scope of the private sector in a socialist economy, comes to the conclusion that "the place of the private sector..... is in its hands to decide". Mr. S. V. Ramamurthy writes on the role of the administrator in democratic planning, Prof. Shenoy on the self-defeating nature of deficit-financing if it exceeds the safe limit and Mr. G. L. Bansal on the need to leave scope for initiative and private enterprise. There is an illuminating analysis of Britain's monetary policy by Sir Oscar Hobson and of U.S. foreign economic policy by Mr. Samuel C. Waugh. Mr. Naval H. Tata, in an article, expresses the opinion that labour participation in industry has become a psychological necessity. The problems of some of the major industries are also discussed in a number of special articles. The number also contains the usual reviews of progress during the year in banking, insurance, commodity prices, etc., and of market trends on the stock exchanges and in the important commodities. It is a real bumper number.

CAPITAL ANNUAL

Capital: Annual Review Number of Commerce, Trade and Industry: Pages 124: Price Rs. 5.

The annual review number of "Capital" for 1955 of 124 spacious pages, containing over thirty articles, maintains the high reputation it has established for itself all these years. It opens, appropriately, with an article on the educational needs of India by Dr. Thomas Balogh, in which this well-known Oxonian stresses the unsuitability of an "Oxbridge" education for solving India's problems. Mr. B. R. Shenoy has returned to his theme of deficit financing in an outspoken criticism of the financing of the Plan, concluding on the note that deficit financing is not a modern version of the *akshaya patra* of the Hindu fables. Mr. Sushil Dey brings in dialectical approach to the problem of small-scale industries—an approach now accepted by the West Bengal Government—which has been described as "simultaneous stimulation of the sub-marginal production potential in a number of enterprises or crafts, a demand for whose output can be created through a system of mutual exchange". Mr. Tulsidas Kilachand has once again argued the lost case on Company Law Reform. Mr. N. Das takes a hopeful view of the future of private industrial enterprise in India, but with the warning that it should "attune itself to the new outlook". Mr. W. H. J. Christie's plea for less rationalisation and more cottage and small-scale industry strikes a rather odd note. Mrs. Taya Zinkin's stimulating thoughts on the "The Phenomenon of Indianism" are *sui generis*. The number then proceeds to the down-to-earth commercial matters, leaving the readers at the end with a satisfying feeling because of its comprehensiveness and tidy presentation.

INDIAN COAL

Indian Coal Industry Symposium Number of Indian Mining Journal: Volume III. No. 9: Pp. 196: Printed on Art Paper; Illustrated. 6/2, Madan Street, Calcutta-13. Editor: H. Ghosal; Mg. Editor: P. K. Menon: Price Rs. 7-8.

The special issue of the Indian Mining Journal now published, containing 45 articles on almost all technical aspects of Indian coal and lignite, has great topical interest. Coal policy under the second Five Year Plan has been discussed in recent months, but the industry

at the moment faces also other complex problems which are not quite well understood even at the policy-making levels. A comprehensive approach is clearly needed and to this end, geologists, economists and business men have pooled their knowledge in this number of the Indian Mining Journal. They have examined the industry's problems afresh in the light of recent developments and data, and on a broad scale covering the coal geology and reserves, mining, processing, utilization, conservation, legislation and trade. The papers presented here formed part of the "Symposium on Indian Coal Industry" which was held in Calcutta on August 8, last, under the joint auspices of this journal and the Geological, Mining and Metallurgical Society.

Except for a critical review of the working of the Mineral Concessions Rules, not much has been said about the general policies affecting the coal business like nationalisation, compensation, new investment nor about labour and price policies. The reason is the obvious one that the scientist and technical expert are generally neutral on such issues; but it makes the study quite objective. The policy-makers can here derive much knowledge which normally lies outside their ken; they may learn that coal policy is not a mere matter of public vs. private sector in which a vague preference for either sector should decide the issues.

INDUSTRIAL ANNUALS

Major Industries of India Annual 1954-55: Vol. 4: Price Rs. 15/-.

The Indian Cotton Textile Industry 1954-55: Price Rs. 6- Editor M. P. Gandhi: Published by M. P. Gandhi & Co., Bombay-1.

The fourth in the new series of annual volumes on India's major industries which Mr. M. P. Gandhi has been publishing, is a bigger number of 300 pages in art paper, containing about 35 articles. The scope of the publication is wider than its title indicates; it has not led to the exclusion of such subjects like community projects, mechanisation of agriculture, water resources and Indo-Soviet trade. Banking, insurance, village industries, tourism and housing are the other subjects

included here besides the strictly major industries like coal, sugar, jute, cotton and steel. In each case the picture is drawn by one who is intimately in touch with the industry concerned.

Mr. M. P. Gandhi's Textile Industry Annuals are too well-known to require special introduction and it is hardly necessary to say anything except that the number for 1954-55 has brought the data up-to-date.

JOURNAL OF INDUSTRY AND TRADE SUPPLEMENT

Special Industries Supplement of the Journal of Industry and Trade: The Editor, Publications: Ministry of Commerce and Industry, New Delhi: Price Rs. 2/-.

Leading officials and non-officials have contributed to the effort made by the Editor of Publications to bring out a special supplement on Indian industries. There are about 38 articles in six sections, covering the whole field which provide a good introduction to the Indian industrial structure while the tables and charts make the supplement a handy reference book.

INDIAN ECONOMY

Recent Developments in Certain Aspects of Indian Economy (two parts): International Labour Office, India Branch, New Delhi: Pages 50 & 95: Price As. 10 and Re. 1/-.

As the title suggests, the two parts of this pamphlet deal with only some aspects of India's social and economic problems. The first part covers labour legislation in 1953-54, employment situation, post-independence land reforms and cottage and small-scale industries. The second part covers labour, agricultural labour, cooperative housing and community projects and national extension service. The publishers do not claim any originality for the information contained in the publications. The facts and figures have, however, been treated intelligently to enable the reader to get full value as reference books.

TALKS ON SKIN BEAUTY

Exercise and fresh air are Essential for Keeping Your Complexion Young and healthy.

But Your Skin Also Needs External Care.

Mysore Sandal Soap

Made from the finest ingredients, Cleans and tones up Your Skin and Complexion.

Try a Cake to-day

MYSORE SANDAL SOAP
ESSENTIAL FOR SKIN BEAUTY

Available at all leading Stores

Government Soap Factory

BANGALORE
Member: I.S.T.M.A.

Bank with
DENA BANK
DEVKARAN NANJEE BANKING CO. LTD.
ESTABLISHED 1938

62 Offices and 14 Safe Deposit Vaults

Authorised Capital	Rs. One Crore
Subscribed & Paid-up	" 50 Lakhs
Reserve Funds	" 31 Lakhs
Deposits (31/12/55) Exceed	" 16 Crores
Working Funds	" 20 Crores
No. of Accounts	" One Lakh

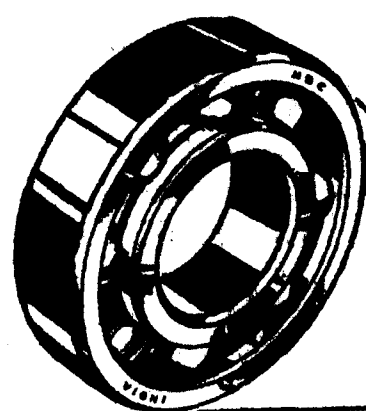
19 Offices in Bombay, 17 in Gujarat, 12 in Saurashtra, 11 in Maharashtra & one each in Madhya Pradesh, Calcutta & Delhi.

**GENERAL BANKING
BUSINESS TRANSACTED**

DENA BANK
Head Office: Bombay.

PRAVINCHANDRA V. GANDHI
Mg. Director

DELHI BRANCH:—
Opp. Delhi Cloth Mills Retail Shop, Chandni Chowk.



for antifriction bearings

NBC
BALL AND ROLLER
BEARINGS

..... are the complete answer
(ACCURATE, RELIABLE, FREE RUNNING AND ROBUST)

NATIONAL BEARING CO., LTD., JAIPUR, OFFICES AT & CALCUTTA, BOMBAY.

The Business World

CORPORATION FOR STATE TRADING

THE whole tenor of Government's approach to the problem of State trading discloses lack of any clear and firm policy. When the State Trading Committee, appointed five years back, failed to give an unequivocal direction on the subject, it was quite plain that no case could be made out for the adoption of State trading as a regular part of official policy. Even so, the idea of State trading continues to influence official thinking and at any rate the proposal of establishing a State Trading Corporation, which was mooted in the course of the deliberations of the Committee, is being revived from time to time. For some time past, some serious attention has been turned to it and the idea is being pursued by the Ministry for Commerce and Industry.

The State Trading Corporation is conceived primarily in the context of the external trade, but this role has not been thought out in exclusive terms and simultaneous emphasis is also placed, in a lesser degree, on the need of the Corporation to undertake internal trade. This aspect of internal trade, however, has not been discussed except in a superficial manner. This trend may be interpreted as an indication that specific classes of business which enter into the foreign trade have arrested attention as fit subjects to be the first casualties of State trading. From whatever angle the question may be viewed, even in the context of the next few years, the very proposal of floating a State Trading Corporation is fraught with grave consequences to the structure of the country's trade. The public sector, frankly, has no resources to undertake this venture, when it is taking on itself economic tasks on an altogether disproportionate scale. A recent communique addressed by the Federation of Indian Chambers of Commerce and Industry to the Government puts the problem in real perspective. The communique urges an objective approach to the question in the light of past experience, and also examines fresh grounds which have been advanced in recent months on two major counts—the need to augment the financial resources of the public sector during the second Five-Year Plan and to find out a suitable agency to conduct trade with Communist countries.

The second factor seems to possess a semblance of force and reasoning since it is assumed that, when we start larger trade relations with communist countries where trade is nationalised or subjected to strict State control, the real choice left for this country is to set up a State Trading Corporation for successful operations. The manner in which trade has been carried on without encountering special obstacles by India with communist countries like Czechoslovakia completely belies this assumption. Trade between the communist world and the free world is actually in existence on some scale, without individual countries in the latter having been required to establish State agencies for that purpose. The Federation's communique has stressed in this context that discussions with the trade delegations

of Communist countries during the Indian Industries Fair made it clear beyond doubt that these countries would be prepared to nominate individual traders as agents and they could function as counterparts of Indian business men. Any extra information such as is not readily available can certainly be procured through the agency of India's Trade Commissioners or their substitutes in those countries. It would be difficult for a State Trading Corporation, once set off to a start, to execute its functions without impinging upon our trade with other countries. The preponderating consideration of balancing imports and exports in the trade with communist countries as evenly as possible will necessarily push the State Trading Corporation constantly in situations in which it will have to import goods at the risk of losses. These contingencies may either force the Corporation to enter into trade with non-Communist countries or bring pressure on the Government to restrict imports from the free world.

The notion that the State can increase its resources by diverting "lucrative profits" in foreign trade to itself through the medium of State trading has often had strong attraction for the credulous. There is no dearth of advocates championing the cause of nationalisation of foreign trade to pool such profits in the public sector. They blissfully ignore, however, that trade anywhere is not a bed of roses where profits alone are to be "amassed". Even the idea of "amassing" profits betrays lack of perspective. Trade is carried on as a normal operation on modest profit margins. But what is significant is that a blind eye is turned to the stark reality that there exist serious possibilities of losses in trade. The objective of augmenting the resources of the public sector must take cognizance of this plain fact. The caution uttered by the Taxation Enquiry Commission requires reiteration. It has pointed out that the most fruitful time when State trading can be experimented or extended is the period of rising prices and the present is not such a period. The Commission viewed this subject from the restricted angle of finding fresh sources to increase non-tax revenue in the immediate future. But other aspects of this issue call for serious questioning. Is foreign trade to be participated in by the State during periods of rising prices and to be abandoned otherwise without the least thought of dislocations which such a course may cause to the economy? No sound advocacy of State trading can rest on such shortsighted reasoning. A State Trading Corporation must face squarely normal situations of gains and losses. There will hardly be any doubt about the net outcome of its activities. Even in periods of regulated trade and high prices State trading conducted by Government departments has sustained substantial losses. This aspect of State trading apart, it is elementary knowledge that successful and stable trading operations require an arduous and protracted period of experience as well as skill in establishing contacts to ensure some degree of flexibility in negotiating the deals.

BONUS PACTS

By
CROESUS

COLLECTIVE bargaining has made some striking successes in recent months. One is the agreement for payment of bonus to one million plantation workers in the country. Workers on tea, coffee and rubber plantations have never so far received bonus on a general scale, and the present settlement entitles them to an

aggregate bonus of over Rs. 6 crores from the tea plantations alone. Another is the agreement on bonus for 2,25,000 textile workers in Bombay on the lines of the Ahmedabad formula, which has also been applied to the cotton mill industry in Madhya Bharat. This means that with the present agreement, nearly four

lakh textile workers in the country are assured of a minimum bonus of 15 days' basic wages, that is, 4.8 per cent of the annual wages, irrespective of whether individual mills make profits or not.

Though broadly following the Ahmedabad pattern, the Bombay agreement has made certain minor modifications, probably to suit local conditions and to satisfy the Rashtriya Mill Mazdoor Sangh. In particular, the development rebate which was introduced in the Union Budget of 1955 will not be included in the bonus calculations for 1956 and 1957, the last two years of the agreement. Another change is the provision for setting up an impartial commission with agreed terms of reference to enquire into the rehabilitation requirements of Bombay mills, which have often been the cause of constant friction between management and labour. A further concession has been made to labour inasmuch as those mills whose bonus disputes for 1952 were pending before the Industrial Court are also covered by the agreement for that year. This means that these mills, fifteen in number with a labour complement of

more than 60,000, will be obliged to pay at least 15 days' bonus to their workers for 1952 in addition to the benefits under the agreement for five years from 1953. Tribunal awards in the past did not allow for pooling of "bonus resources" within the industry for paying bonus to all workers, including those employed by loss-making mills.

The bonus pacts in the cotton textile industry and the pact between the Tata Iron and Steel Company and its workers mark the beginning of a new era in industrial relations in India, and provide a good augury for launching the second Five-Year Plan. These agreements have generated a fund of goodwill on both sides, and have thus created the necessary psychological climate for the formation of joint consultative machinery for amicable settlement of all points of difference. Not long ago the interests of workers and management were considered mutually exclusive, but once both the parties start working on the basis of joint consultation and mutual accommodation, rapid progress can be made in all directions and higher productivity achieved, thereby ensuring higher real earnings for the worker.

ANOTHER PEAK IN CLOTH PRODUCTION

By

CROESUS

THE performance of the cotton textile industry on the production front during the year 1955 has been verily in the nature of a challenge to the Government and more especially to the Kanungo Committee which urged that cloth production by mills should be frozen at 5,000 million yards a year. At 5,078 million yards, mill cloth production in the country establishes a new record as compared to 5,020 million yards registered in 1954.

An idea of the achievement of the mill industry in the matter of production could be gleaned from the following table:

Month	Cloth		Yarn	
	1955	1954	1955	1954
	(Million yards)		(Million Lbs.)	
January	437	418	135	132
February	402	398	125	122
March	429	405	135	125
April	418	426	130	129
May	401	427	125	129
June	418	432	133	128
July	446	441	144	136
August	419	411	138	131
September	434	410	143	130
October	437	380	144	122
November	400	421	132	135
December				
(Estimated)	437	451	144	143
TOTAL	5,078	5,020	1,628	1,562

It must be noted here that the expansion in the mill output of cloth has been such as to exceed, for the second year in succession, the target of 5,000 million yards set for it by the first Five-Year Plan. Indeed, the increase in cloth production would have been much more had it not been for the Kanpur textile strike which, it has been estimated, has accounted for a loss of 34 million yards of cloth.

In the case of yarn production also the year 1955 has seen substantial increase resulting in a highly encouraging supply position which prompted the Government to allow some exports of yarn. In the previ-

ous year, it may be recalled, the Government did not allow any export of yarn but only granted extension of the period of validity of licences. Four important factors helped sustain the encouraging trend of production in respect of both cloth and yarn. In the first place, thanks to the continued increase in domestic consumption and exports, offtake of cloth was maintained at a high level throughout the year. Naturally mills found it advantageous to maximise their output in which they were further helped by availability of large supplies of raw cotton at attractive prices. The relaxation of controls on purchase of cotton made it all the more easy for the mills to buy cotton according to their requirements. Secondly, the supply of wagons for transport of cotton from the terminal markets to the mills was relatively better than in 1954, the actual number of wagons that carried cotton during the year up to August being as much as 71,000 as against only 62,000 in the corresponding period of the previous year. Again, there was a distinct improvement in the power and fuel supply position. Apart from the Kanpur strike, labour-management relations during the year were also, on the whole, conducive to better production all round.

It is true that there was a decline in the total cloth exports from this country during the year, which is estimated to amount to 865.4 million yards as against 897.7 million yards in 1954. But due to the increase in domestic consumption, reflecting, incidentally, the growing capacity of the country to absorb more and more cloth, cloth stock lying with the mills had been steadily on the decline. In fact, towards the close of the year some centres actually reported scarcity of cloth bordering on cloth famine and consequent rise in prices.

In the light of the above analysis, it cannot be gainsaid that freezing of mill cloth production at the present level of 5,000 million yards is fraught with grave consequences to the economy of the country. As the Chairman of the Millowners' Association pointed out at a Press conference, "if the handloom sector is allowed to bite off more than it can chew and if a rigid ceiling is laid on mill production, a situation may arise when an acute shortage of cloth is felt in the country, resulting in its prices going up much to the undeserved hardship of the consumer".

BUSINESS NOTES

RAILWAY FREIGHT RATES

FOR THE first time, the freight rate structure of Indian railways is being revised in full consultation with transport users whose objective views on specific questions certainly merit the closest attention. The Federation of Indian Chambers of Commerce and Industry, New Delhi, and the Indian Merchants' Chamber, Bombay, have tendered to the Enquiry Committee their memoranda to its questionnaire. As expressions of the studied views of organised transport users, their replies and constructive suggestions on the issues raised are bound to be of value to the process of rationalisation.

The genesis of the demand for a re-investigation of the rates structure is quite pertinent to the present scrutiny. The major argument for revision was that, despite a good deal of rationalisation and simplification of the rates structure in 1948 (and the introduction of telescopic rates for long distances on a continuous mileages basis must be adjudged as its greatest virtue), subsequent direction of policy indicated the Railway Ministry's solicitude to put the revenue angle above most other objectives of that policy. Numerous upgradations of commodities and increases of class rates reveal this bias. The two memoranda emphasise that no criteria of a progressive rates policy can ignore the commercial or revenue aspect of rates and in the aggregate railways much achieve commercial results in their operations. But their other vital character as a public utility enjoying a near-monopoly position imposes an obligation on them to fulfil the requirements of a developing economy.

The replies of the two organisations to some of the representative questions illustrate the need not to over-stress the criterion of revenue. The levy of a surcharge on carriage of goods by express trains has been opposed on the ground that it ignores the economies of large-scale and accelerated operations. The very basis of the assumption, in another question, to the effect that short distance traffic is unremunerative is challenged and the limitation of 300 miles for the first leg of traffic distance, a higher charge for the initial 75 miles and a floor of 20 miles for freight rates are indicated in refutation, along with the implication that telescopic rates convey steeper charges for short distance. The suggestions of railways declining to accept short distance traffic (on the score of unremunerative returns) in favour of roads or inland waterways has been disapproved as wrong in principle and leading to higher transport costs. In respect of certain commodities for which rates are fixed below transport costs (a rare thing of which coal is alleged to be an instance), it is vital to remember that rates cannot be based on the principle of covering full average costs of every single haulage or commodity. In the second Five-Year Plan, in which the railway expansion programme is bound to create acute wagon shortages for the private sector, it is of great importance that the revenue objective of railway rates must be co-ordinated with their developmental purpose.

EMERGENCY IN BOMBAY PORT

THE EMERGENCY powers given to the Chairman of the Bombay Port Trust just five months after the declaration of a similar emergency in Calcutta underline the intractable labour situation in Indian ports. In fact, the Vasist Committee had recommended special powers for the Dock Labour Board Chairman at all the ports to deal with "go-slow" and indiscipline. In certain years there has been a general slackening in the discipline of the dock labour and the Dock Labour Boards have been unable to exercise the needed control while the employers have been helpless to do anything except seek Government intervention. Though it can-

not be established so, there has been a tendency to attribute the labour troubles to the decasualisation scheme for stevedore labour, introduced in Bombay on October 5, 1953, and in Calcutta much earlier. It cannot, however, be denied that ever since the introduction of decasualisation, there has been a steady deterioration in the turn-round of ships. The turn-round time in Bombay was practically the same in 1951, 1952 and 1953, but in 1954, it went up sharply by as much as 50 per cent for the dry months and 64.3 per cent for the wet months. For handling 5,000 tons of import cargo other than food grains, sugar and bulk oil, the time taken in 1954 showed a rise of 30 per cent for the dry and 49.1 per cent for the wet months; for export cargo other than ores, the percentage rises were 43.1 and 38.9 respectively. The percentage of ships which had to wait for want of berths increased from 1.9 in 1953 to 17.8 in 1954. The average period of detention was 5.8 days in 1954 against 1.7 days in 1951. In fact, on a few occasions, vessels had to shut out cargoes owing to the labour situation in the Bombay port. It is easy to see how delays in shipping, apart from causing a great deal of inconvenience to the commercial interests, may often directly affect their business. We may safely assume that with the present poor turn-round we shall need 15 to 20 per cent more berthing facilities and tonnage to accommodate the same number of ships and carry the same amount of cargo.

The Dock Labour Board administration has often suffered due to lack of adequate executive authority, lack of fixed responsibility and too little attention paid to important policy matters. This defect is now sought to be remedied by the emergency powers given to the Port Trust Chairman, who can suspend, dismiss or discharge any employee for indiscipline, "go-slow" or misconduct.

The Vasist Committee had recommended the piece-rate system of wages, which it considered the best remedy for all ills of dock working. Labour interests, on the other hand, have opposed the proposal, although they are in favour of an incentive bonus. In India this system has been accepted by the employers and workers at least at one port, namely, Cochin, and there is, therefore, no reason why it should not be extended to the other major ports. It is also important, at the same time, to take steps to improve and modernise the dock facilities simultaneously with the introduction of piece-rates.

RATIFICATION OF TEA BONUS PACT

THE VERY fact that negotiations over the payment of bonus to tea plantation labour took a protracted course suggests the difficulties which this ticklish issue involves. The announcement of the agreement came at a time when the North-East Indian plantations are passing through a phase of slump in the trade. Before the agreement becomes effective, it needs, of course, the ratification of the parties represented in the negotiations, namely, the Indian Tea Association, the Indian Tea Planters' Association, the United Planters' Association of Southern India, and the employees through their organisations.

The major interest at the present time centres round ratification by the planters in North-East India. The United Planters' of Southern India had actually been paying bonus since 1947 and during this period its rate has varied between the maximum of 10 per cent and the minimum of 4 per cent of the gross earnings. The view taken in the South is that a co-ordinated formula has been evolved which, apart from removing the previous disparity on account of the liability of payment of bonus, will provide a basis from time to time without special strains to which plantation owners

in that region had been subject in the past. This explains the favourable reaction with which the agreement has been received in the South. In so far as the industry in North-East India is concerned, Messrs. B. C. Ghosh and S. K. Banerjee, who represented the Indian Tea Planters' Association (the weaker section in this region) at the bonus talks, have protested against the description of the agreement as voluntary and in any event their statement after the announcement of the agreement indicates their Association's difficulties in the way of ratification. The principal objections they have stressed are that the negotiations did not take into account the genuine distinction between the capacity to pay of big and small units and that the huge losses sustained by the industry in 1951 and 1952 could not be absorbed by the profit of 1953 and had transcended beyond to the year 1954 in certain cases. The total amount of bonus payment which labour in North-East Indian plantations would be entitled to receive for 1954 has been estimated conservatively at Rs. 6 crores and in respect of the two following years—1955 and 1956—the same scale has been made applicable, although the quantum of bonus will vary. Three-fourths of the payment for 1954 is due to be made in the near future while the pressure of uncleared stocks threatens to continue till June next according to informed expectations. Ratification is unlikely to be withheld by the Association, but this liability should serve to underline the critical elements in the situation when the North-Indian Tea Regulation Committee has already had to make a decision for a cut in the crop for the 1956 season. There is a strong case for reduction in State taxation and export duty.

FORWARD TRADE IN JUTE

THE FORWARD MARKETS COMMISSION has taken the step to invite applications from Associations trading in jute and jute goods in Calcutta for the purpose of recognition as duly authorised to conduct futures trade in these commodities one year after the Government of India accepted the recommendation of the Jute Enquiry Commission in this behalf. The Enquiry Commission's recommendation has placed special emphasis on the establishment of a forward market for jute on the model of the East India Cotton Association, providing for a unified and comprehensive channel for forward trade. Unbridled speculation verging on pure gambling was responsible, it will be recalled, for clamping total ban on forward trading in jute goods under the West Bengal Jute Goods Act, 1950, and on raw jute under the Forward Contracts (Regulation) Act, 1952. Speculative elements, however, are said to have been too powerful to allow complete prohibition of forward trading in jute. It has been recognised long since that the establishment of a recognized agency under the Forward Contracts (Regulation) Act would provide for healthy speculation and guarantee insurance against wide fluctuations in prices. The Forward Market Commission's move will be welcomed as setting up such a machinery now that the position in raw jute and jute manufacture has considerably eased. This action comes appropriately at a time when the IJMA has made a bold beginning in unsealing looms in jute mills.

STANDARDS CONVENTION

THE EXPANDING activities of the Indian Standards Institution found further expression in the chemical and textile standards convention held in Bombay recently, the second in the series of such meetings. The first convention relating to the engineering and building industries was held in December 1954 in Calcutta, where there is a heavy concentration of these industries.

Besides publicising the Indian Standards Institution, these conventions help create a general awareness among industrialists and the public of the benefits of standardisation and the role of standards in industrial development. They provide a convenient platform for industrialists and technologists to meet and discuss

important technological and management problems and to pool their knowledge. The agenda for the Bombay convention, included the meetings of the councils for the textile and chemical divisions, discussions on the metric system of Indian standards and statistical quality control.

Today the consumer has greater quality-consciousness than ever before, and with the buyers' market in sight, it is time that serious attention is given to the problem of standardisation and quality control. The promotion of exports also requires the production of quality goods conforming to agreed standards. Barring Japan in the Far East, there is not a single country in South-East Asia, West Asia or Africa, where the cotton and rayon weaving industries are so well established as in India. The textile industry can push the sale of its products in these potential markets, provided goods of uniform and standard quality comparable in price with those of foreign competitors are offered. Though India is meeting increasing competition in foreign markets, especially from Japan and the European countries, little or no effort has so far been made to study the tastes of foreign consumers. A pre-requisite for the promotion of exports, therefore, is specialised market research, which would give a clue to the consumers' preference and selling techniques.

TRANSFER OF EVACUEE BANK ACCOUNTS

THE COMMUNIQUE issued on January 14 last by the Government of India on the mode of implementation of the agreement on transfer of bank accounts as well as lockers and safe deposits of evacuees from West Pakistan promises to bring an early solution of one of the minor outstanding issues. Reciprocal facilities have been extended to Muslim evacuees from East Punjab. The transfer of valuables in lockers or safe deposits is expected to bring much-needed relief in some individual cases, but the magnitude of assets involved in bank accounts is assumed to be modest. Nevertheless, it is a positive gain that banks are being enabled to close a lingering problem with a satisfactory outcome.

The agreement safeguards the interests of Indian banks in regard to the realisation of their assets in Pakistan and this safeguard is extended also to Indian banks which are still continuing their business operations in Pakistan. The safeguards contemplated in this behalf include provision of facilities to be given by the Government of Pakistan in executing sales of immovable properties mortgaged with Indian Banks or over which they have a charge for advances of loans. All amounts due to the banks from the Custodian of Evacuee Property or from Government departments or accounts in either country will be transferred and credited to the banks concerned for which purpose June 30, 1956, has been fixed as the deadline. The State Bank of Pakistan will call upon all banks concerned in Pakistan to prepare lists of accounts of evacuees. Corresponding action will be taken by the Reserve Bank of India and the lists will be exchanged by the two central banks by August 31, 1956.

In so far as transfer "en bloc" of lockers and safe deposits by October 31, 1956, is concerned, no difficulties are apprehended. But it would appear that the wholesale transfer of bank accounts and funds before the same deadline may not be quite smooth. A good deal depends on how the debts due to the banks will be realised, and although the good offices of the government of the country are to be used for this purpose, the mediation has its own limitations. The preparation of lists of accounts and funds is made subject to the condition that objections to such transfer will be invited by the government of the country. Unless a summary procedure is prescribed to dispose of the objections, delays would be inevitable in some cases. These handicaps, however, are not expected to be irritating or serious.

A Letter to the Editor

WANTED A NEW LOOK FOR "PRIVATE ENTERPRISE"

Sir,

India's avowed objectives are a welfare state and a socialistic pattern of society. The extent to which private enterprise can fit into the picture and can play its part in bringing about social justice and better standard of living for the masses will determine its future which may be one of glorious accomplishment or one of virtual and inglorious extinction.

For some time past, the general public has sat on judgment on private enterprise and has found it to be unworthy of trust on its past records. While there is hue and cry amongst the business men and the industrialists at the unfair treatment that is being meted out to private interests by the Government and the subordinate role which the private sector is being called upon to play in the second Five-Year Plan, one sees no concerted drive by business and industrial executives to take such positive measures which will earn public approbation for private ventures, although recent speeches of some prominent industrialists indicate that they themselves realize what should be done.

One need not go too much into details as to why the public opinion today is prejudiced against business interests. Suffice it to say that they are considered guilty of corrupting public servants; profiteering; black marketing and adulteration and otherwise defrauding the public; falsification of records for tax purposes; monopoly and oligopoly; exploitation of labour and white collar workers; nepotism and favouritism in employment; inefficiency in production; and various other malpractices which are more or less anti-social and unpatriotic.

The only way private enterprise can rehabilitate itself is by having a 'new look'. To a large extent this has been accomplished in the United States of America and in the United Kingdom. That explains why private enterprise plays a greater role in those countries and enjoys confidence of the public, as is apparent from the results of recent elections in the U.K., while the prestige of free enterprise is higher than ever in America.

In this connection, one should read the article entitled "Great Trek of 1954" published in the May 1955 issue of Reader's Digest—India edition. It records one of the most outstanding examples of the development of "social conscience" amongst the "Top Management" of a large company—namely the Socony-Vacuum Oil Company.

Briefly, it is the story of migration of 130 workers and their families—495 men, women and children, from Olean in New York State to Puget Sound, Washington, a distance of 2700 miles. Due to unavoidable reasons the company had to close down its refinery at Olean. The workers who lost their jobs as a result were offered employment by the company at their new plant at Puget Sound. Those who decided to migrate were paid all expenses including moving of the furniture, storage, meals en route and hotel bills at the other end for a month by the company.

As for those who chose to remain behind, the company paid liberal severance pay and allowed them certain annuity, hospitalization and savings plans benefits. What the Socony-Vacuum Company did in this instance was "beyond the line of duty". Also they did this without any pressure from the Government or labour unions—they need have done very much less than what they did, if they wanted to do just what was legally required of them to do. They were motivated

primarily by consideration of welfare of their employees. The extraordinary solution of transcontinental migration to another plant was adopted as the small city of Olean could not have provided alternative employment if all the workers were discharged.

Here is something for the Indian industrialists to emulate.

Let the business men in India start now doing something to change the public opinion. I suggest that the leaders of commerce and industry form an all-India Association to consider the course of action to be taken, and organize "action committees" in every city and town in India.

Here are my suggestions for immediate consideration which involve the acceptance of ethical considerations and recognition of obligations to society and human rights as the guiding principles in business.

1. A drive for abolishing black markets.
 2. A drive against adulteration of foodstuffs and drugs.
 3. A drive against defrauding the public by lowering the quality of products after establishing their reputation, including offer of imitation products as genuine.
 4. Acceptance of and adherence to trade standards or ISI or Agmark standards in all manufactured items and agricultural products.
 5. Offering items and products at fair prices to the buyers; advantages of increased availability and lower wholesale prices or manufacturing costs to be passed on to the public; profits to be based on reasonable returns to the investors plus adequate reserves for lean years and expansion.
 6. Avoidance of monopoly and oligopoly for gain at the expense of the public; monopoly or oligopoly which ensures genuinely better products or better service would be exceptions.
 7. Offer of adequate wages or pay and incentives, happy working conditions and opportunities for advancement to the labourers and white collar workers together with the creation of a sense of belonging amongst them.
- In case of rationalization or unavoidable need for reduction in expenses or closing down altogether of a factory or establishment, the management should take on more responsibilities on their shoulders on behalf of the affected persons than they are called upon to shoulder legally.
8. Adoption of a fair policy with regard to recruitment and promotion.
 9. Maintenance of efficiency and increase of efficiency in production.
 10. Maintenance of correct and honest accounts.
 11. Sponsoring "welfare measures" by creating industries for employment. This is often done by Chambers of Commerce in USA.
 12. Refraining from bribing public servants, directly or indirectly or showing them undue favour, in order to obtain unfair advantages.

The existence of a healthy private enterprise is essential in a democracy. It encourages self-reliance and self-help and is the only antidote against all of us becoming supine and wanting to be spoon-fed by the Government.

Yours faithfully,
A. R. PALIT.

Company Meeting

THE NATIONAL NEWSPRINT AND PAPER MILLS, LTD., NEPANAGAR, M.P.

Speech delivered by Shri A. Ramaswami Mudaliar, Chairman of The National Newsprint and Paper Mills Ltd., Nepanagar, M.P., at the Eighth Ordinary General Meeting on Saturday, the 31st December, 1955.

Gentlemen,

I have much pleasure in welcoming you to Nepanagar and I do hope that you will be adequately compensated for the discomforts of your journey to this rather out of the way place by your visit to the Mill and by seeing it in actual production.

The Annual Report and the Audited Accounts of the Company for the year ended March 31, 1955, together with the Balance-sheet as on that date have been in your hands for some time and with your permission I shall take as read.

When we assembled at Nepanagar last year for the first time, the Paper Machine and the Groundwood Mill had been installed, but the Mill had not started producing paper. Since then important developments have taken place. As the Chemical Mill was not ready, your Directors decided that trial production of newsprint should be started with imported chemical pulp and indigenous groundwood. Trial production continued up till May. As unbleached newsprint was not readily marketable it was decided to bleach the groundwood pulp with the existing equipment in July. Since then bleached newsprint has been in production. Although considerable difficulty was experienced in disposing of the sub-standard paper produced initially, it helped to train the crew and to tune the paper machine. The bleached newsprint found a ready market and it has been possible to sell all the paper produced up to date. The newsprint now being produced compares very favourably with the imported newsprint in physical characteristics and brightness. Our newsprint has of course a creamy shade which it derives from the tanin in the salai, but it is a characteristic which does not in any way detract from its quality. During the year the Mill produced 2,600 tons of paper and we have been able to sell all of it. A large number of medium and small newspapers are regularly using the Nepa newsprint. Some larger newspapers also use it for their evening and mofussil editions. We are greatly appreciative of the patronage that they have extended to the Mill and we hope that they will use our paper in larger quantities in future. The most outstanding achievement has been that the salai groundwood, about which serious doubts were expressed in many quarters, has now been proved beyond doubt as a suitable raw material for the manufacture of newsprint. The credit for this achievement of course goes to the courage shown by the Governments of India and Madhya Pradesh in supporting this venture but in no lesser degree it is attributable to the skill and patience of our own technicians. Equally important is the achievement that our technicians have standardised the furnish of the paper. The newsprint now manufactured contains not less than 60 per cent mechanical pulp. The erection of the Chemical Mill has been completed and the Mill is now in a position to produce for the first time a hundred per cent Indian newsprint.

I am also very happy to inform you that the Government of India have exempted the sale of Nepa newsprint to newspapers from payment of excise duty.

We are grateful to the Government of India for this decision which will be of considerable help to the Mill in disposing of its product. We also hope that the Government of India will further assure for the product of this Mill a market by creating a pool of indigenous and imported newsprint. Without this assistance our efforts to achieve a steady marketable production may not be easy. This last year has therefore been a fruitful one and the outlook is now brighter than it has even been in the past in the history of this Mill. It is a matter of satisfaction to all concerned that it has been possible to complete this project within the period of India's First Five Year Plan. I take this opportunity of congratulating all the workers for their sustained hard work and loyalty to the Mill.

I would also like to mention on this occasion that the welfare of the Mill's employees is and has been a prime consideration with your Directors. The main objective of India's industrialisation plans is to improve the living standards of the people and it would be ironical if the people serving those industries are not enabled to live better than they have done in the past. But the success of this Mill, as of the country's plans, depends upon the workers themselves. Their fortunes are inevitably linked up with the fortunes of the industries for which they work. This Mill is a combination of private and public enterprise and it has accordingly a special obligation to fulfil. It has to assimilate the virtues of both and the evils of neither and its employees are privileged to be participating in the "exciting adventure of India's development". They should, therefore, be inspired by a sense of pride and patriotic purposefulness.

The contract of Mr. Roy Tumer, the Works Manager, with the Mill will expire in January. As he will be shortly leaving us, I would like to express your Directors' appreciation of the good work he has done during the 3½ years he has been with us. Mention must also be made of the services of Sarvashri Sagreiya, Moghe and Bhandari. Shri Sagreiya was Managing Director for 5½ years during the most difficult period in the career of the Mill and did a commendable job of work. He proceeded on leave in September and Shri Ragho Raj Singh took over as Managing Director from him as an interim arrangement. Shri Moghe and Shri Bhandari also left us during the year to take up other jobs. Their services to the Mill also deserve mention. Three American technicians under the T.C.M. programme joined the Mill to train our personnel during the year.

You will recollect that last year I had made a personal appeal to those shareholders who had not paid their share money in full. In response to requests from many shareholders your Directors agreed to defer forfeiture of their shares for one year. Now that the Mill has gone into production your Directors are compelled to ask for full payment of all share money in arrears. A final notice has therefore been issued to pay the balance of the share money by January 31, 1956.

I now propose that the Audited Accounts of the Company and the Balance Sheet be adopted.

COMPANY AFFAIRS

BURN AND CO., LTD.

The Directors' Annual Report together with the Audited Accounts of the Company for the year ended April 30, 1955 shows the following position:

After providing for taxation, depreciation and all other charges and setting aside Rs. 10,50,000 to Reserve for Works Reconstruction and Expansion, the profit on the year's working amounts to Rs. 14,28,237

To which is added the balance brought forward from the previous year " 1,09,192

Making a total of Rs. 15,37,435

From this is deducted the dividend for the year on the Preference Share Capital " 1,81,000

Leaving a balance available of Rs. 13,56,435

The Directors recommend that this balance be disposed of as follows:

Payment of a dividend of Rs. 15 per share being at the rate of 15 per cent for the year on the Ordinary Share Capital Rs. 12,60,000

To be carried forward " 96,435

TOTAL Rs. 13,56,435

Since the end of the year under review, the cash credit facility with the former Imperial Bank of India has been closed and the Rs. 75 lakhs First Mortgage Debentures, comprising the security for the account, returned to the Company. Since the Debentures are no longer outstanding, no current provision is required against their redemption and the amount of Rs. 18,75,000 standing to the credit of the Reserve for Debenture Redemption at April 30, 1954, being no longer required, has been transferred to the Reserve for Works Reconstruction and Expansion. In this latter account have also been amalgamated the amounts of Rs. 5,00,000 and Rs. 22,50,000 which at April 30, 1954, stood on the separate reserves for Works Reconstruction Scheme and Works Rehabilitation Programme respectively.

The further programme for the modernisation of the Company's Howrah Works has now been taken in hand and will involve an expenditure of approximately Rs. 32 lakhs spread over a period of three years. Considerable additional capital expenditure must also be incurred on the expansion of the company's output capacity of higher refractories to meet the growing requirements of the steel industry. The Directors have accordingly considered it essential to set aside from the profits of the year under review a sum of Rs. 10,50,000 to the Reserve for Works Reconstruction and Expansion.

The results of the Raniganj Works for the year were badly affected by labour difficulties. The restricted working for the year inevitably resulted in a loss being shown; this loss has been covered by an improvement in the results achieved by the Howrah Works.

THE ELGIN MILLS CO., LTD.

The Audited Accounts of the Company for the year ended September 30, 1955, have been submitted by the Directors.

The results for the year, after providing for all charges including provisions for Depreciation and Taxation, show a surplus of Rs. 16,80,464

To this has been added a refund of Excess Profits Tax (after deduction of Income Tax and Super Tax) amounting to Rs. 3,89,645

Rs. 20,70,169

From which has been appropriated for Rehabilitation Reserve " 13,00,000

.. .. Rs. 7,70,169

To which has been added Carry Forward from the previous year " 62,277

Leaving at credit of Profit and Loss Account Rs. 8,32,386

The Directors recommend this balance to be disposed of as follows:

In payment of a dividend on the Preference Shares of 8 per cent per annum for the year ended September 30, 1955 " 88,000

In payment of a dividend on the 'B' Preference Shares of 5 per cent per annum, free of Income Tax, for the year ended September 30, 1955 " 21,000

In payment of a dividend at the rate of Re. 1 per share for the year ended September 30, 1955, on the Vendors and Ordinary Shares " 6,30,000 Rs. 7,39,000

Carry forward to next account " 93,386

THE EMPIRE JUTE CO., LTD.

The Directors' Report and Audited Statement of Accounts of the Company for the half-year ended June 30, 1955, shows that the profit for the half-year after providing for

Depreciation Rs. 1,60,000 and Taxation Rs. 1,02,000 amounts to Rs. 1,44,136

to which must be added the Credit Balance brought forward from the previous half-year Rs. 1,32,960

Amount received on account of Post-war E.P.T. Refunds, nett 14,298 .. 1,47,258

Making a total of Rs. 2,91,394

Which the Directors recommend should be distributed as follows:

Dividend on 10,000 Preference Shares at 7 per cent per annum for the half-year ended June 30, 1955, or Rs. 3-8 per share Rs. 35,000

Dividend on 1,50,000 Ordinary Shares at 15 per cent per annum for the half-year ended June 30, 1955, or annas 12 per share 1,12,500 Rs. 1,47,500

Leaving to be carried forward Rs. 1,43,894

In accordance with the Main and Supplementary Working Time Agreements of the Indian Jute Mills' Association, the mills worked 48 hours per week with 12½ per cent of their total looms sealed.

Raw jute prices advanced steadily during the early part of the half-year but the rise in manufactured goods was not in proportion to the rise in Raw Material prices, and profit in simultaneous business was not possible.

COTTON YARNS

OF ALL DESCRIPTIONS

FOR HANDLOOM, POWERLOOM & HOSIERY FACTORIES

MADURA MILLS COMPANY LIMITED

Phone: 250 (5 lines)

MADURAI
(SOUTH INDIA)

Telegrams: "HARVEY"

MILLS AT

MADURAI, TUTICORIN AND AMBASAMUDRAM

5,00,000 Spindles

Counts up to 80s

We Supply:

WARP YARNS, COMBED YARNS, HOSIERY YARNS, CONE,
CHEESE AND HANK YARNS, SINGLE AND FOLDED.

SPECIALITIES:

Yarns for the Manufacture of

ROPES — HEALDS — CANVAS — TAPE
BELTING DUCK — TYRE CORD FABRIC — SEWING THREAD
MULTI-PLY & CORD YARNS

Managers:

A. & F. HARVEY LIMITED

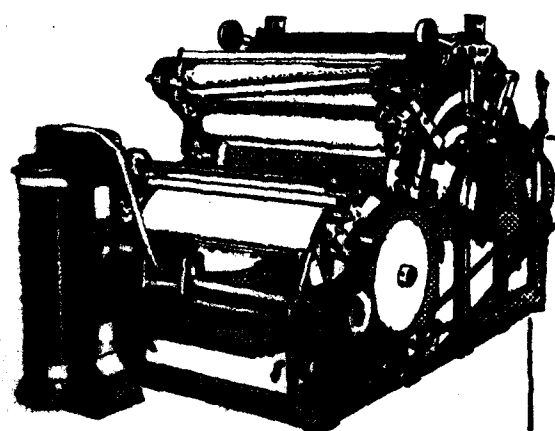
PANDYAN BUILDING

MADURAI
(SOUTH INDIA)

Phone: 420 (4 lines)

Telegrams: "HARVEY"

MMC revolving flat cards

are now being extensively used
in Textile Mills in India.

Outstanding features

1. Five distinct setting points, used singly or in combination, to control setting to .001 inch.
2. Johnson bronze bearings, for cylinders and doffers. Roller bearings to cylinder; ball bearings to doffer and ball bearing comb box also provided as optional equipment.
3. Ball bearings to lick-in pedestals.
4. Self-lubricating 'Olite' bearings at several locations.
5. William's patent stripping motion for flats.
6. Drop lever with new disengaging handle.
7. Fluted lap roller with positive gear drive from feed roll helps uniform feed of lap at the back with minimum possible stretching.
8. Cards can be geared for any production in a mill organization.

Machinery Manufacturers Corporation Ltd.

Factory: Sonai Works, Kidderpore, Calcutta 23.

Managing Agents:

MAHINDRA & MAHINDRA LIMITED

Head Office: Gateway Building, Apollo Bunder, Bombay.
Calcutta Office: Hall & Anderson Building, Park Street.

P. 1000-3 A.A.

COMMODITY NEWS AND NOTES

CENTRAL RUBBER INSTITUTE

The creation of a Central Rubber Institute with one or two Zonal Research Centres was agreed upon at a meeting of the representatives of the Association of Rubber Manufacturers, Calcutta, and Indian Rubber Industries' Association, Bombay, the Ministry of Commerce and Industry and Indian Rubber Board and the National Chemical Laboratory, Poona, held recently in New Delhi. It was also agreed at the meeting that a cess on the consumption of rubber, both indigenous and imported, should be levied at Rs. 8 per ton and the collection should be made available for meeting expenditure of the proposed Research Association. The meeting decided that the Research Association should have a 15-member committee; a formula for the establishment of a Research Association has also been arrived.

COTTON EXPORTS FROM INDIA

Export figures of raw cotton from India for the first four months of the 1955-56 cotton season make encouraging reading and underline the fact that India has become a net exporter of cotton. There has been an increase of nearly 200,000 bales in India's total exports of raw cotton during the period as compared with the corresponding period of 1954-55. A notable feature of cotton exports has been the increasing tempo in the off-take of Indian cotton by Japan, which accounted for nearly 50 per cent of India's total exports during September to December, 1955-56. The quantum of off-take of Indian cotton shared by Hong Kong and China has also been equally impressive, the former accounting for 24,137 bales in the first four months of this season as against nil in the corresponding period of last season, and the latter for 34,651 bales as against just 914 bales.

Sept. 1, 1955 to Dec. 31, 1954

(In bales of 400 lbs.)

UK	27,280	4,133
Continent	50,164	12,018
Hong Kong	24,137	..
China	34,651	914
Japan	111,822	29,467
USA	2,105	5,808
Others	2,035	430
TOTAL	252,194	52,770

LEMONGRASS OIL PRODUCTION IN INDIA

India with an annual production of about 800 tons, is the principal supplier of lemongrass oil to world markets. The total acreage is nearly 40,000 out of which 90 per cent occurs in the Travancore-Cochin State. Climate and soil conditions necessary for raising the grass are found in many other tracts on the hilly slopes of the West Coast and, therefore, the scope of oil production in India is expected to be stepped up in future. There are two types of lemongrass—the red stemmed and the white stemmed—but it is the red stemmed grass that yields the high quality oil. The distillation of lemongrass oil is done in indigenous direct-fired, copper stills of 8 to 18 cubic feet capacity which are set upon the plantations themselves. A scheme for the compulsory grading and marking of lemongrass oil according to Agmark grades has already come into force. Almost the entire produce of Indian

lemongrass oil is exported mainly to the USA the UK and France. Germany is also now one of the importing countries. Cultivation of this grass has in recent years been stepped up in Guatemala, Honduras, Haiti and Trinidad.

A Research Station has been set up at Odakhali by the Government of Travancore-Cochin to study the problems relating to cultivation and technological aspects of lemongrass and lemongrass oil.

NICKEL OUTPUT IN THE FREE WORLD

Nickel output of the free world during 1955 set a record with an estimated 427 million lbs. This is an increase of approximately 40 million lbs. over the previous high of 387 million lbs. in 1954, and 87 million lbs. over 1953. Looking ahead to 1956, free world's production is expected to increase yet again, by 15 million lbs. to 442 million lbs. This would mean an advance of virtually 65 per cent above pre-Korean war output. It is expected that much more of the metal would become available for industry in 1956. Canadian producers alone during 1955 were responsible for a probable 347 million lbs. which also constitutes new peak, being some 24 million lbs. higher than for 1954. It represents about 81 per cent of total free world production and of the remainder, Cuba accounted for approximately 7 per cent, New Caledonia 5, Japan 3, USA 2 and various other countries 2 per cent.

THE BANK OF INDIA LIMITED.

(Established 7th September, 1906.)

CAPITAL SUBSCRIBED ..	Rs. 5,00,00,000
CAPITAL PAID-UP ..	2,50,00,000
RESERVE FUND ..	3,52,00,000

Head Office:

MAHATMA GANDHI ROAD, FORT, BOMBAY.

BRANCHES IN INDIA:

AHMEDABAD	Kalbadvi	JUNAGADH
Bhadra (Main Office)	Malabar Hill	KOZHIKODE
Ellis Bridge	CALCUTTA	MADRAS
Gandhi Road	23B Netaji Subhas	NAGPUR
Manek Chowk	Road (Main Office)	Kingsway
Station Branch	Bara Bazar	Iwari Bazar
AMRITSAR	Chowringhee	NEW DELHI
BANGALORE	Square	PALANPUR
BHUJ (Kutch)	COIMBATORE	POONA
BOMBAY	DELHI	POONA CITY
Andheri	GANDHIDHAM	RAJKOT
Bandra	(Kutch)	SHOLAPUR
Bullion Exchange	HYDERABAD	SURAT
Colaba	(Deccan)	VERAVAL
	JAMSHEDPUR	

FOREIGN BRANCHES:

LONDON—17, Moorgate, London, E.C.2.
ADEN, DAR-ES-SALAAM, JINJA, KAMPALA,
KARACHI, MOMBASA, NAIROBI, OSAKA,
SINGAPORE, TOKYO.

DIRECTORS:

SIR COWASJEE JEHANGIR, Baronet,
G.B.E., K.C.I.E. (Chairman).
Mr. AMBALAL, SARABHAI.
SIR JOSEPH KAY, K.B.E.
Mr. DINSHA K. DAJI.
Mr. RAMNIWAS RAMNARAIN.
Mr. BHAGVANDAS CHUNILAL MEHTA.
Mr. KRISHNARAJ M. D. THACKERSEY.
Mr. A. D. SHROFF.
Mr. MADANMOHAN MANGALDAS
EVERY DESCRIPTION OF BANKING
BUSINESS UNDERTAKEN.
D. R. THOM, General Manager.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

		Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)				
		Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.	
1947-48	..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..	..
1948-49	..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..	..
1949-50	..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..	..
1950-51	..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..	..
1951-52	..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..	..
1952-53	..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..	..
1953-54	..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.6	..
1954-55	..	339.8	436.2	350.3	377.3	612.4	377.4	90.5	100.7	88.4	113.0	..
February 1955	..	304.3	436.2	339.5	376.8	558.5	361.4	90.6	100.7	88.2	114.2	..
March	..	297.0	412.8	333.5	376.3	553.3	353.7	90.6	100.7	87.4	115.1	..
April	..	283.6	398.6*	327.8	377.1*	541.2	345.4*	90.5	100.6	87.5	115.1	..
May	..	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9	..
June	..	281.8*	390.4	329.7*	370.0	567.4*	342.5*	90.8	100.6	87.5	113.2	..
July	..	309.7*	408.1*	329.6	370.9*	562.6*	355.6*	90.9	100.7	87.8	117.9	..
August	..	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.8	122.8	..
September	..	313.0	396.1	324.8*	368.8	556.3	353.2	90.9	100.7	87.2	122.8	..
October	..	315.7	403.7*	329.8	371.2	559.3	357.2*	91.0	100.7	87.2	124.5	..
November	..	326.5	418.9*	338.1	373.3	543.3*	365.0*	91.0	101.0	87.7	129.9	..
December	..	323.7*	438.3	346.6	373.0	544.2	368.4	91.0	101.0	87.7	130.6	..
Week Ending												
3-12-55	..	322.0	421.6	342.2	373.1	541.0	364.5	91.0	101.0	87.8	131.4	..
10-12-55	..	323.2	428.1	343.4	372.7	542.5	366.0	91.0	101.0	87.8	131.0	..
17-12-55	..	320.4	440.7	345.9	372.8	542.3*	367.4	91.0	101.0	87.8	131.7	..
24-12-55	..	325.3*	446.5	350.4	372.6	546.6*	370.9*	91.0	101.0	87.7	130.2	..
31-12-55	..	327.4	454.7	351.4	373.6	547.5	373.4	91.1	101.1	87.6	128.0	..

†Economic Adviser's Series.

*Average of weeks.

††Reserve Bank Series.

*Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS (August 1939=100)

Period	Bombay			Delhi		Bengal		U. P.		Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100	Ahmedabad July 1927 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936 = 100	Ludhiana†	Jamshedpur†				
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134	138	138	134
1949	292	307	248	132	348	478	377	151	323	164	138	138	138	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138	138	138	138
1951	314	330	261	142	370	451	391	168	334	167	160	144	144	144	144
1952	321	337	250	143	351	441	380	150	330	151	154	141	141	141	141
1953	346	363	275	140	349	453	387	151	351	147	156	145	145	145	145
1954	342	359	244	138	327	408	373	139	341	148	140	138	138	138	138
1955 January	335	358	217	132	324	372	370	126	333	141	136	134	134	134	134
February	329	345	210	128	310	384	361	126	326	137	135	131	131	131	131
March	328	340	207	127	310	377	360	129	321	133	133	130	130	130	130
April	324	340	205	126	311	352	353	130	314	129	129	128	128	128	128
May	320	336	204	122	315	335	351	128	307	131	129	127	127	127	127
June	317	333	211	123	317	347	359	131	311	131	129	130	130	130	130
July	324	340	224	129	325	371	364	136	316	134	134	132	132	132	132
August	325	341	229	134	329	375	364	137	318	136	138	134	134	134	134
September	317	333	224	133	327	373	—	133	322	138	137	132	132	132	132
October	315	331	225	134	334	385	—	—	323	—	—	—	—	—	—
November	314	330	229	136	339	392	—	—	—	—	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	14-1-1956			7-1-1956			31-12-1955			24-12-1955		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	95-10	94-9	95-3	96-11	94-11	95-9	94-7	93-2	93-14	94-7	92-15	93-15
Silver (per 100 fine tolas)	176-13	175-0	176-2	176-12	173-2	175-9	173-7	170-15	172-5	173-11	171-9	172-14

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupay Coin	Rupay Securities	Total Assets
1938-39*	182.36	28.28	210.64	44.42	66.95	111.37	52.91	67.11	32.16	210.64
1947-48*	1,227.82	47.12	1,274.95	44.42	1,135.32	1,179.74	92.53	32.36	62.84	1,274.95
1948-49*	1,231.84	22.02	1,253.86	42.49	907.47	949.96	75.43	42.96	265.62	1,253.86
	(5.58)	(—)	(5.58)					(90)		(5.58)
1949-50*	1,128.94	24.00	1,152.94	40.02	647.04	687.06	59.59	50.53	415.36	1,152.94
1950-51*	1,163.21	17.19	1,180.40	40.02	624.70	664.72	56.31	57.21	458.47	1,180.40
1951-52*	1,189.84	27.78	1,217.62	40.02	625.27	665.29	54.64	63.98	488.36	1,217.62
1952-53*	1,114.84	27.87	1,142.72	40.02	564.40	604.42	52.89	80.22	458.08	1,142.72
1953-54*	1,133.95	23.03	1,156.97	40.02	594.02	634.04	54.80	92.83	430.11	1,156.97
1954-55*	1,197.05	22.98	1,219.17	40.02	648.90	689.31	56.47	102.25	428.61	1,219.17
Average of Fridays										
May 1955	1,324.71	15.14	1,339.85	40.02	661.98	702.00	52.39	104.14	533.71	1,339.85
June	1,324.56	17.97	1,342.53	40.02	652.04	692.06	51.65	104.33	543.65	1,342.53
July	1,306.93	29.34	1,336.28	40.02	646.04	686.06	51.34	105.87	543.65	1,336.28
August	1,299.00	26.50	1,325.50	40.02	633.29	673.29	50.79	106.24	543.65	1,325.50
September	1,290.78	23.49	1,314.27	40.02	668.82	708.84	53.93	110.51	494.93	1,314.27
October	1,303.25	10.97	1,314.22	40.02	632.07	672.08	51.09	110.95	531.18	1,314.22
November	1,327.06	14.27	1,341.33	40.02	642.08	682.09	50.85	109.38	549.84	1,341.33
December	1,350.04	10.13	1,360.17	40.02	662.98	703.00	50.95	108.56	548.61	1,360.17
Week Ending										
9-12-1955	1,350.87	7.87	1,358.74	40.02	647.07	687.08	50.57	108.14	563.52	1,358.74
16-12-1955	1,350.05	8.99	1,359.04	40.02	657.00	697.02	51.29	108.44	553.58	1,359.04
23-12-1955	1,351.58	7.75	1,359.33	40.02	676.88	716.90	52.74	108.73	533.70	1,359.33
30-12-1955	1,361.98	12.04	1,374.01	40.02	686.88	726.90	52.90	108.44	538.67	1,374.01
6-1-1956	1,385.71	11.60	1,397.30	40.02	691.91	731.93	52.38	106.83	558.55	1,397.30

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS*	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14.90		16.19	75	31.84	1.28	43.12	28.38	1.53	4.21	1.72	2	6.36	90
1947-48*	366.79	16.93	102.47	34.21	520.40	14.55	544.96	47.24	2.62	406.95	1.57	21	81.53	4.85
1948-49*	222.17	6.62	80.53	56.52	365.72	15.33	419.05	22.12	4.28	307.78	1.71	3.34	75.65	4.14
	(14.33)	(3.04)												
1949-50*	141.19	23.12	67.00	64.39	295.69	15.76	321.45	24.12	4.30	280.91	3.35	8.39	960.54	4.34
1950-51*	148.60	17.71	62.22	62.29	290.82	18.14	318.97	17.31	3.04	107.70	2.37	6.77	76.72	5.06
1951-52*	181.30	15.95	58.68	69.22	325.15	18.62	353.77	27.92	6.31	187.14	5.90	19.42	95.19	11.91
1952-53*	136.40	7.79	52.89	61.93	259.02	23.69	292.71	28.03	6.64	133.56	2.85	19.03	89.77	12.83
1953-54*	105.44	23.40	46.52	57.45	232.80	23.91	266.72	23.22	9.46	123.31	1.78	19.84	81.58	7.51
1954-55*	89.13	20.66	55.20	36.29	201.28	23.62	234.90	23.24	6.10	87.53	1.14	26.55	80.52	9.82
Average of Fridays														
February 1955	51.26	16.81	50.58	34.15	152.80	26.13	180.13	12.72	2.71	68.78	1.08	21.98	67.22	14.69
March	58.81	37.71	47.51	21.84	165.87	29.58	205.45	12.54	8.59	70.73	.95	42.26	51.67	31.03
April	56.47	36.38	47.74	22.05	162.55	32.79	205.34	18.50	11.96	69.30	.51	36.73	45.26	22.92
May	52.9	17.90	48.89	22.08	141.84	38.25	190.08	15.28	11.46	51.97	.80	40.22	41.51	28.76
June	55.64	12.33	50.02	21.89	139.88	43.80	194.44	18.10	12.78	63.67	1.00	28.61	39.55	30.96
July	76.93	17.83	50.62	19.03	164.40	32.13	206.52	29.47	9.53	69.84	.88	32.44	58.34	60.08
August	87.33	20.66	51.35	20.28	179.12	30.62	219.74	26.64	9.90	86.25	1.92	25.04	62.18	7.74
September	60.36	18.28	55.51	16.91	151.06	21.26	182.32	23.63	13.68	61.57	1.02	28.64	52.13	11.65
October	50.15	23.59	61.12	15.97	150.84	25.92	186.76	11.10	9.30	72.93	.76	20.62	50.24	18.12
November	54.93	14.81	58.52	15.46	143.57	29.71	183.43	14.40	7.37	80.45	2.22	24.17	50.08	12.23
December	54.13	8.44	57.88	15.97	136.01	34.76	181.17	10.25	8.11	63.93	3.97	31.67	50.49	12.79
Week Ending														
9-12-1955	54.18	5.99	57.93	15.67	133.78	33.91	177.69	8.92	6.83	69.55	3.79	26.45	50.53	13.52
16-12-1955	60.14	7.46	55.99	16.80	140.39	34.50	184.88	9.11	6.62	71.17	5.11	20.68	50.54	12.66
23-12-1955	50.95	7.95	55.24	16.08	130.22	37.13	177.34	7.87	9.16	59.37	5.29	32.19	50.43	18.03
30-12-1955	54.01	10.62	57.87	15.81	138.31	36.13	184.45	12.16	12.07	48.30	3.06	44.63	50.54	13.09
6-1-1956	54.11	9.73	51.79	15.62	131.24	38.09	179.33	11.71	11.83	43.40	4.11	44.68	50.51	13.09

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5 + 6) as percent- age of (4)	Advan- ces	Bills Discount- ed	(8 + 9) as per- centage of (4)	Invest- ments in Govt. Securities in India
	Demand	Time	Total (2 + 3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39*	123.81	103.30	227.11	6.38	15.88	9.80	111.34	460	51.05	..
1947-48*	708.65	343.89	1,052.54	39.92	100.81	13.40	427.54	16.82	42.30	..
1948-49	674.56	303.88	978.44	37.51	76.63	11.67	424.85	16.44	45.10	..
1949-50	597.79	272.59	870.38	34.47	65.85	11.53	426.74	15.35	50.79	..
1950-51	599.13	278.45	877.58	34.68	60.78	10.88	447.03	11.87	52.29	..
1951-52	593.73	290.82	884.55	37.33	57.29	10.70	523.59	22.81	63.06	303.49
1952-53	546.23	309.26	855.49	33.33	51.82	9.95	461.64	38.47	60.48	308.34
1953-54	526.75	328.26	855.00	31.97	44.48	8.98	442.79	51.40	59.56	321.29
1954-55	550.62	351.86	911.48	32.66	53.91	9.50	468.39	84.66	62.03	339.74
Average of Fridays										
January 1955	576.82	368.37	945.19	32.83	60.31	9.85	476.93	78.24†	58.74	351.33
February	585.47	370.53	956.00	32.16	49.63	8.58	494.74	84.46†	60.58	354.09
March	578.19	375.11	953.30	32.95	46.16	8.27	509.93	102.47†	61.21	346.25
April	587.73	380.42	968.19	34.43	46.61	8.37	507.25	119.49†	61.74	343.27
May	585.70	386.37	972.07	34.64	47.08	8.41	504.23	119.56†	65.77	344.41
June	596.14	394.62	990.75	34.71	49.13	8.46	501.44	114.19†	63.98	346.47
July	600.22	403.14	1,003.36	33.80	49.01	8.30	499.64	110.56†	62.73	362.67
August	605.00	409.09	1,014.08	34.15	49.19	8.22	495.96	110.80†	61.76	373.92
September	604.02	413.69	1,017.87	33.22	54.14	8.58	498.19	106.18†	61.15	381.86
October	612.82	422.95	1,035.77	33.98	59.64	9.94	484.67	105.51†	59.24	390.42
November	612.61	423.85	1,036.46	35.22	57.05	8.90	491.93	105.00†	59.79	393.43
December	613.68	422.24	1,035.92	38.93	59.38	9.39	503.02	107.60†	61.04	390.56

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY

(Lakhs of rupees.)

Last Friday	Money supply	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabi- lities of banks	Total deposits with Reserve Bank (exclu- ding those of central Govt. & Banks)	
(1)	(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1953-53	1,784.55	1,199.25	585.30	548.95	36.35	-44.30
1953-54	1,856.57	1,229.43	627.14	549.83	77.30	+72.02
1954-55	1,980.90	1,311.77	669.13	599.18	69.97	+124.33
September 1954	1,774.00	1,173.53	600.47	576.01	24.46	+2.08
October	1,797.27	1,185.44	611.83	579.08	32.75	+23.27
November	1,807.86	1,188.45	619.40	591.39	28.01	+10.59
December	1,848.89	1,224.61	624.28	597.20	27.08	+41.03
January 1955	1,877.73	1,245.91	631.82	601.04	30.78	+28.84
February	1,915.34	1,272.35	643.00	610.04	32.96	+37.61
March	1,980.90	1,311.77	669.13	599.16	69.97	+65.56
April	2,003.14	1,342.90	660.23	614.26	45.98	+22.24
May	1,989.50	1,348.41	641.09	616.96	24.12	-13.64
June	1,988.42	1,343.74	644.67	623.43	21.24	-108
July	1,974.91	1,324.86	650.11	619.53	30.58	-13.51
August	1,994.44*	1,314.80*	679.65*	631.63*	48.02	+19.53*
September	1,963.23*	1,309.79*	653.44*	630.09*	23.35	-31.21*
October	2,007.67*	1,332.34*	675.33*	633.98*	41.35	+44.44*

* Provisional.

Source: Monthly Bulletin of Reserve Bank.

SURVEY OF INDIA'S FOREIGN LIABILITIES AND ASSETS AS ON DECEMBER 31, 1955.

STATEMENT NO. 9 (Contd.)

Financial										
Banking	2,26,75	1,75	2,28,50							
Life Insurance	22,77	7	22,84							
Non-Life Insurance	7,21	2	7,24							
Investment	4,67,64	9,72	4,87,09							
Holding Companies	1,51,88	16,55	2,11,99							
Others	28	..	28							
TOTAL	8,84,53	28,11	9,57,94							
Plantations										
Tea	2,59,50	6,63	2,67,09							
Others	16,02	3,28	20,90							
TOTAL	2,75,52	9,91	2,87,99							
Miscellaneous										
Managing Agency	2,10,96	70,67	3,08,22							
Professions and Services	5	..	5							
Travel-Steamship Agents	1,96	..	1,96							
Others	12,49	8,23	20,97							
TOTAL	2,25,46	78,90	3,31,20							
GRAND TOTAL	27,67,17	3,00	31,50,77							

STATEMENT NO. 10.

TOTAL LIABILITIES AND NET POSITION OF BRANCHES OF FOREIGN FIRMS AND COMPANIES (EXCLUDING BANKS AND INSURANCE COMPANIES) CLASSIFIED ACCORDING TO THEIR MAIN ACTIVITIES.

(In thousands of rupees)

Trade	India's Liabilities	Net Position	Trade	India's Liabilities	Net Position
Manufacturing			Utilities	40,72,42	+ 35,14,58
Jute and Coir Goods	10,94,47	+ 9,66,54	Transport	12,19,75	+ 8,57,96
Cotton Goods	12,52	+ 12,02	Mining		
Plywood and Plywood Cases	10,03	+ 9,03	Coal	3,54,55	+ 2,51,03
Printing and Publishing	64,13	+ 55,44	Others	7,49,72	+ 1,05,13
Light Chemicals	2,70,41	+ 2,01,33	TOTAL	11,04,27	+ 3,56,16
Medicines and Pharmaceuticals	1,04,69	+ 82,75	Financial		
Machinery and Machine Tools	34,86	+ 26,88	Investment	24,72	+ 19,40
Buildings and Building Materials	2,69,21	+ 1,26,47	Holding Companies	5,15	+ 1,65
Electrical Goods	4,79,05	+ 4,35,60	TOTAL	29,87	+ 21,05
Mineral Oils and Products	11,22,62	+ 9,51,77	Plantations		
Others	2,58,79	+ 2,00,77	Tea	86,82,70	+ 63,30,05
TOTAL	37,20,78	+ 30,68,60	Others	61,79	+ 57,68
Trading			TOTAL	87,44,49	+ 63,87,73
Jute and Coir Goods	41,51	+ 28,22	Miscellaneous		
Cotton Goods	34,90	+ 20,98	Managing Agency	5,03,00	+ 2,13,83
Stationery and Office Fixtures	70,79	+ 47,94	Professions and Services	35,48	+ 4,17
Food Products	93,93	+ 51,33	Travel-Steamship Agents	74,74	+ 14,27
Mineral Oils and Products	83,83,74	+ 65,35,09	TOTAL	6,13,22	+ 2,32,27
Motion Pictures	38,84	+ 27,95	GRAND TOTAL	308,52,57	+ 266,18,90
Medicines and Pharmaceuticals	94,83	+ 78,77			
Iron and Steel Products	14,55	+ 41			
Machinery and Machine Tools	5,53,74	+ 4,19,57			
Electrical Goods	3,10,14	+ 2,79,35			
Exporters and Importers	10,18,73	+ 3,59,93			
Others	6,92,07	+ 3,31,01			
TOTAL	113,47,77	+ 81,80,55			

STATEMENT NO. 11.

NET POSITION OF BRANCHES OF BANKS INCORPORATED OUTSIDE INDIA

(In thousands of rupees)

Country of Incorporation	India's Liabilities	India's Assets	Net Position
Pakistan	2,20,83	1,88,60	+ 32,23
United Kingdom	167,22,58	160,32,27	+ 6,90,31
United States	7,23,06	6,39,84	+ 83,22
Other Countries	24,15,64	20,30,92	+ 3,84,72
TOTAL	200,82,11	188,91,63	+ 11,90,48

+ Net Foreign Liabilities.

N.B. The figures show India's liabilities in a balance of payments sense representing the value of the assets owned in India by the branches of banks incorporated outside India. Similarly the figures of India's assets represent the liabilities of these concerns to 'persons' resident in India.

STATEMENT NO. 12.

NET POSITION OF BRANCHES OF FOREIGN INSURANCE COMPANIES OPERATING IN INDIA

(In thousands of rupees)

Country	Life			Non-Life			Total		
	India's Liabilities	India's Assets	Net Position	India's Liabilities	India's Assets	Net Position	India's Liabilities	India's Assets	Net Position
Australia	..	..	..	10,99	12,11	- 1,12	10,99	12,11	- 1,12
Canada	..	15,89,60	18,03,20	15,18	7,24	+ 7,94	16,04,78	18,10,44	-2,05,66
Malaya	..	..	..	32	81	- 49	32	81	- 49
New Zealand	..	..	..	38,09	47,18	- 9,09	38,09	47,18	- 9,09
Pakistan	..	2,34,88	1,83,11	..	..	..	2,34,88	1,83,11	+ 51,77
Switzerland	..	65,02	64,18	12,10	6,61	+ 5,49	77,12	70,79	+ 6,33
United Kingdom	..	22,65,08	27,37,15	4,31,88	4,42,40	-10,52	26,96,96	31,79,55	-4,82,59
United States	..	..	..	60,97	47,10	+13,87	60,97	47,10	+ 13,87
Other Countries	..	22,10	16,37	50,44	37,20	+13,24	72,54	53,57	+ 18,97
TOTAL	..	41,76,68	48,04,01	6,19,97	6,00,65	+19,32	47,96,65	54,04,66	-6,08,01

+ Net Foreign Liabilities. —Net Foreign Assets.

N.B. The figures show India's liabilities in a balance of payments sense representing the value of the assets owned in India by the branches of Foreign Insurance companies operating in India. Similarly the figures of India's assets represent the liabilities of these concerns to persons 'resident' in India.

STATEMENT NO. 13.

EQUITY VALUE OF ORDINARY SHARES (CONTROLLED) OF INDIAN JOINT STOCK COMPANIES (INCLUDING INDIAN INSURANCE COMPANIES) OWNED BY 'PERSONS' RESIDENT ABROAD CLASSIFIED ACCORDING TO TYPE OF BUSINESS.

(In thousands of rupees)

Trade	Amount	Trade	Amount
Manufacturing		Trading	
Jute and Coir Goods	1,92,78	Jute and Coir Goods	29,53
Cotton Goods	2,46,93	Cotton Goods	89
Woollen Goods	43,31	Stationery and Office Fixtures	28,52
Stationery and Office Fixtures	98,30	Food Products	6,58
Printing and Publishing	9,92	Heavy Chemicals	99,27
Printing Inks	12,12	Light Chemicals	27,71
Sugar	7,23	Soap	7,65
Food Products	3,50,96	Mineral Oils and Products	1,82,31
Cigarettes and Tobacco	25,32,68	Motion Pictures	4,70
Heavy Chemicals	7,92	Medicines and Pharmaceuticals	13,64
Light Chemicals	19,59	Iron and Steel Products	68,68
Matches	2,17,96	Machinery and Machine Tools	1,33,22
Medicines and Pharmaceuticals	3,82,59	Automobiles and Accessories	8,93
Paints and Varnishes	1,54,49	Electrical Goods	78,90
Soap	5,23,65	Exporters and Importers	2,61,30
Mineral Oils and Products	5,00	Railway Equipment and Stores	17,23
Rubber Goods	4,34,08	Watches and Clocks	17,47
Iron and Steel Products	2,90,17	Others	44,60
Machinery and Machine Tools	34,90	TOTAL	10,31,40
Railway Equipment and Stores	57,72	Transport	2,30,51
Automobiles and Accessories	2,09,83	Mining	
Engineering—Structural	1,13,73	Coal	4,37
Building and Building Materials	1,44,00	Gold	2,33,78
Ship Building	1,58,59	Others	24,77
Electrical Goods	6,89,59	TOTAL	2,62,92
Engineering—Steam and Hydraulic	14,92	Financial	
Engineering—Mechanical	14,49	Non-Life Insurance	31,12
Others	5,99,91	Investment	8,89,88
TOTAL	75,72,36	Holding Companies	38,50
		Others	50
		TOTAL	9,60,00
		Plantations	
		Tea	79,06
		Others	7,73
		TOTAL	86,79
		Miscellaneous	
		Managing Agency	15,57,32
		Professions and Services	20,12
		Travel—Steamship Agents	4,42
		Others	14
		TOTAL	15,82,00
		GRAND TOTAL	117,25,98

SURVEY OF INDIA'S FOREIGN LIABILITIES AND ASSETS AS ON DECEMBER 31, 1955

STATEMENT NO. 9.

TOTAL VALUE OF ORDINARY, DEFERRED AND PREFERENCE SHARES AND DEBENTURES OF INDIAN JOINT STOCK COMPANIES (FORTFOLIO) HELD BY VARIOUS INSTITUTIONS IN INDIA AS NOMINEES, AGENTS OR CUSTODIAN ON BEHALF OF 'PERSONS' RESIDENT ABROAD CLASSIFIED ACCORDING TO TYPE OF BUSINESS

(In thousands of rupees)

Trade	Equity Capital		Creditor Capital		Total
	Ordinary Shares	Deferred Shares	Preference Shares	Debentures	
Manufacturing					
Jute and Coir Goods	1,47,39	..	29,51	8,12	1,85,02
Cotton Goods	1,72,07	1,53	10,27	2,00	1,85,87
Woollen and Worsted Goods (including silk textiles)	18,18	..	83	..	19,01
Cement	34,72	18	2,07	..	36,97
Stationery and Office Fixtures	41,84	..	4,29	3,12	49,25
Plywood and Plywood Cases	60	..	..	..	60
Printing and Publishing	3,19	..	7	..	3,26
Food Products	18,10	..	81	25	19,16
Sugar	25,03	..	2,69	66	28,40
Cigarettes and Tobacco	3,41	1	1,95	90	6,27
Heavy Chemicals	8,27	5	1,98	..	10,30
Light Chemicals	5,69	..	26	..	5,95
Matches	99,46	..	62	..	1,00,08
Medicines and Pharmaceuticals	38,31	2	19,98	..	58,31
Paints and Varnishes	24,14	..	10	2	24,26
Soap	1,39	..	1,09	..	2,48
Mineral Oils and Products	11,45	..	4	76	12,25
Rubber Goods	28,91	..	2,08	2,10	31,07
Iron and Steel Products	67,41	20	26,68	..	94,29
Machinery and Machine Tools	17,51	5	4,01	9	21,66
Railway Equipment and Stores	24,14	..	2,12	..	26,26
Automobiles and Accessories	15,14	..	30	..	15,44
Buildings and Building Materials	55,74	4	4,17	7	60,02
Ship Building (Marine Equipment)	63	..	..	..	63
Electrical Goods	16,37	3	87	..	17,27
Engineering—Mechanical	3,45	..	13	..	3,58
Motion Pictures	49	..	..	..	49
Others	1,67,89	59	9,83	5	1,78,36
TOTAL	10,48,92	2,72	1,26,73	18,14	11,96,51
Trading					
Jute and Coir Goods	10,06	..	50	..	10,56
Cotton Goods	12	..	..	..	12
Stationery and Office Fixtures	..	..	7	..	7
Heavy Chemicals	2,30	..	..	..	2,30
Mineral Oils and Products	2,30	..	4,65	..	8,95
Motion Pictures	3,74	..	..	..	3,74
Medicines and Pharmaceuticals	6	..	..	..	6
Machinery and Machine Tools	23,57	..	..	..	23,57
Automobiles and Accessories	8,28	..	..	..	8,28
Electrical Goods	2,33	..	3	..	2,36
Exporters and Importers	8,12	2	43	..	8,57
Buildings and Building Materials	9	..	25	..	34
Others	13,18	..	1,66	73	15,57
TOTAL	76,15	2	7,59	73	84,49
Utilities					
Transport	79,14	..	4,69	12,92	97,02
Mining	88,78	4	7,05	1,51	97,38
Coal	68,20	..	4,62	4,77	77,59
Gold	31	..	..	..	31
Others	19,89	19	26	..	20,34
TOTAL	88,40	19	4,88	4,77	98,24

By inadvertence these figures appear here and not at page 117 to maintain proper continuity.



The Eastern Economist

VOL. XXVI. NO. 4. NEW DELHI: JANUARY 27, 1956. ONE RUPEE

CONTENTS

Leading Articles:

THE NATIONALISATION OF LIFE INSURANCE	121
INDIA AND WEST GERMANY	123
THE ISLAMIC REPUBLIC OF PAKISTAN	124
WEEK'S NOTES	125
Do States Foul the Socialist Nest?; The Food Minister's Warning; No Common Governors; When Charity Begins at Home; Israel Condemned; Sino-American Talks Founder.	

A WINDOW ON THE WORLD:

Odysseus on "Gaitsocialism"	129
A Delhi Diary	131

ECONOMIC REPORT FROM THE U.S.

Economic Trends	132
WORLDGRAM AND NEWS IN BRIEF	133

Special Article:

FROM WEALTH TO CAPITAL CO-EFFICIENTS—II	137
A LETTER TO THE EDITOR	140

The Business World:

Bombay—What Next?	143
Tanker Fleet for India	143
Progress of Sugar Industry	144

BUSINESS NOTES

Cold War in Cotton!; Development of Sericulture; More Jute Looms Unsealed; International Finance Corporation; Protection of Calcium Carbide; Indian Aluminium's New Issue; Balmer Lawrie and Co., Ltd.	145
--	-----

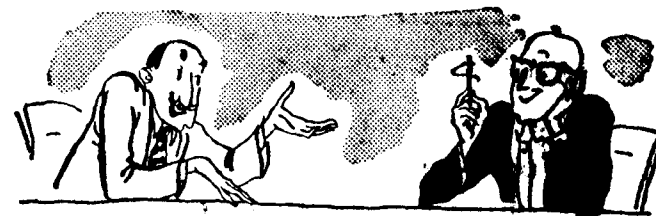
COMPANY AFFAIRS	147
COMMODITY NEWS AND NOTES	148
CURRENT STATISTICS	149

Our monthly Blue Supplement for January, due to be issued along with the last issue of the month, will be published along with the next issue, dated February 3. The topical importance of 'Insurance in India', which will be the theme of the Blue Supplement, required this alteration in our schedule.

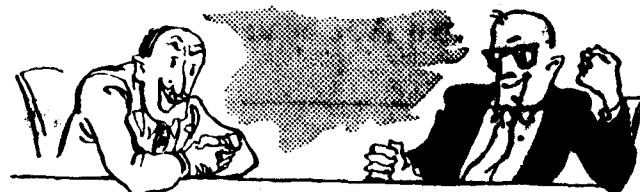
The Nationalisation of Life Insurance

THE nationalisation of life insurance came last Thursday like a thief in the night. It would not be improper to say that it was a thief in the night. Whatever the merits of nationalisation, it is useless to disguise the fact that it takes away from many individuals, who have spent their whole lives in building up a business, all the fruits of their labour, and, in a sense, the springs of their minds; a serious loss is inflicted on particular individuals, whether or not the total result is for the public good. Secondly, on this particular occasion, the whole procedure adopted suggested it was an operation which could not bear the light of day. An ordinance was specifically designed

to prevent Parliament from going through its normal course of debating this great issue of policy. The decision was taken, so to speak, behind Parliament's back; not, indeed, that the result would have been different if the issue had been debated in Parliament. It is vital, however, that in a democracy Parliament should not be bypassed in this hole and corner way. The people of India through their representatives have a right to be consulted on a great issue of policy of this kind in the form conventional in Parliamentary democracies elsewhere in the world. Between Ordinance Rule and a Parliamentary democracy there is a great gulf fixed; in democracies means are as important as ends.



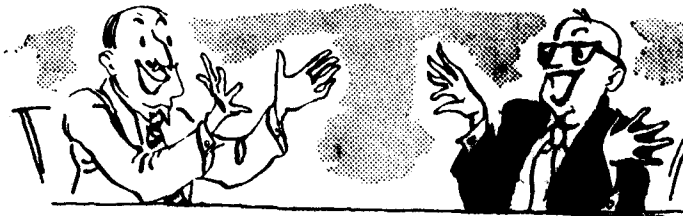
There is only one answer to that discussion...



SHALIMAR SUPERLAC

SYNTHETIC ENAMEL

For interior, exterior use on almost any surface, wood, metal, stone; hard drying, quick drying, brilliant lustre. Will stand repeated cleaning.



SHALIMAR PAINT, COLOUR & VARNISH COMPANY, LIMITED
CALCUTTA • BOMBAY • MADRAS • NEW DELHI • KANPUR

Fly TWA Now and Save

Fly the Finest...

FLY TWA
TRANS WORLD AIRLINES
ASIA • AFRICA • EUROPE • U.S.A.

Saha & Rai Travels Ltd., Hotel Ambassador New Delhi. Reservation & Booking—Phone 45121/7.

When these first objections to the process of nationalisation of insurance last Thursday have been stated, one needs to recognise that there is a widespread feeling in the country that this was a fit case for the exercise of public ownership. It is believed by *The Eastern Economist* that this widespread opinion is not based on a full knowledge of the facts and the deeper consequences of a step the initial justification of which might look plausible, and even laudable. It is perfectly true that there has been in the operation of private insurance in this country some considerable dishonesty. This is not concerned or confined only to the most recent case in the public mind, that of the Bharat Fire and General Insurance Company, where serious irregularities were noticed three months ago. It is perfectly true that some insurance companies have not been regular in observing the provision of law that 55 per cent of their revenue should be invested in Government securities. It is rumoured—and it is extremely likely that the rumour is based on facts—that, when insurance companies were taken over last Friday, there were serious deficiencies in the security portfolios in more than one insurance company. Prima facie, the existence of malpractices in some Indian insurance companies has been proved. This by no means implies that nationalisation is in the national interest.

If malpractices were the major reason for the taking over of life insurance, surely it would have been equally proper to take over other kinds of insurance on the same plea. If private funds held in trust for insurance purposes can be misused or misapplied, it surely cannot matter whether those funds arrive from life or general or fire insurance. Why then has the Government of India chosen to restrict its operations only to the life section? The answer is perfectly clear. It is that life insurance gives greater promise of resources, and, therefore, a more fruitful operation for smash and grab by which the public sector intends to lay its hands on the private sector's resources. It is this vital element in the case which needs to be studied with care and objectivity. Is the policy of robbing Peter to pay Paul—whatever the weaknesses which Peter and Paul might individually have—likely to be one which advances the national interest, the national interest being conceived as the output of both Peter and Paul reckoned together? No competent reply has been given to this question by either the private or the public sectors. *The Eastern Economist*, therefore, proposes to bring out its next Blue Supplement on "The Nationalisation of Life Insurance" designed primarily to provide a specific answer to this question as to whether the national interest has been served by this operation. The country should know the truth.

It is not necessary or even desirable at this stage or at any other, that one should look into the motives of the Finance Minister or of the Cabinet in assessing the merits of this decision. Economic events are more important than their causes or their motivations. Unless the policy can be reversed—and in this case reversal is impossible—it is not worth while casting aspersions upon the Cabinet or any individual member of it by saying, as has been said, that this is an entirely 'political' decision. No decision in a political democracy can be vitiated merely because it is 'political'. It may well be that, in some cases, this is its highest recommendation. *The Eastern Economist*, therefore, will not arraign the decision on the ground that it is designed to further

the socialistic pattern of society or to dispossess particular individuals of power, wealth or influence. It will arraign it on the ground, which it believes to be true, that the action of the Government has been shortsighted, failing to recognise that at this particular moment a hasty step such as this will do—and, indeed, has already done—serious damage to the Government of India's credit in foreign private markets. The City of London in particular, which is greatly influenced by British insurance opinion, will now harden its views, already designed to deter private investors from entering India. Estimates of the volume of private investment likely to accrue in the second Plan, after this confirmation of the City of London's fears, are based on thin air. Did the Government of India not recognise that the advantage of obtaining rupees from the private sector was by no means equal to the loss of foreign exchange abroad? Or did it argue that its international credit was so low that an indefinite volume of new recklessness could not destroy it further?

These are hard thoughts which must strike all those who feel that in acting as it has done the Government of India has not taken full account of its own requirements in the second Five-Year Plan. To exhibit a gap of Rs. 800 crores and to invite foreign participation in our plans from private investors and then to make it clear that private investors will not be given the opportunities to obtain either the security or earn the rewards which they deem appropriate is surely to exhibit a degree of inconsistency and blindness unworthy of a distinguished Ministry of Finance.

Arguments can be found to justify, in some respects, the nationalisation of domestic insurance; the administration of a few of our companies has certainly been quite unworthy of the standards of insurance expected from insurance houses anywhere in the world. But it was certainly possible with the powers that the Government enjoys at the present time to effect an improvement of the worst companies without nationalisation. For example, it was always possible to arrange for an inspection of the securities of the insurance companies every week or to require all the scrips to be lodged with the Reserve Bank of India or the State Bank of India. Why was this course not taken? Again, it was possible for the Government to change the percentage of revenue to be invested in securities so that 80 per cent or more of this revenue was invested in Government securities. Why was this course not taken in preference to nationalisation?

The truth is obvious and that is that Government wished not merely to arrest private corruption and malpractices, but to lay its hands on an asset which has been built up by the hard work of private interests. This is an abuse of power which should be resisted in a government of the people, even by the have-nots; for the have-nots of today require at least an assurance of the safety of private property to give them a stake in economic progress and an incentive for private effort. It is well to remind those who are responsible for this act that, while today they are judges and juries in their own case because they have absolute power, there is a judgment of history which is superior to their own. It has been put magnificently in the words of a great historian: "All power corrupts and absolute power corrupts absolutely". Let those who see the mote of corruption in others not ignore the beam in their own.

India and West Germany

WITH the visit to India of Dr. Franz Bluecher, Deputy Prime Minister of the Federal Republic of Western Germany, and the proposed visit of Mr. Nehru to Bonn later this year, a new chapter has opened in the relations between the two countries. In a strictly political sense, the two countries started to work their way towards their destiny at about the same time in the post-war era, India when she secured independence in 1947 and Western Germany when she adopted the democratic process after the destruction and demoralisation caused by war and partition. Beyond the friendly gesture which India then extended to Germany by being the first to terminate the state of war—of which Dr. Bluecher appropriately reminded us during his visit—there was not much that the two countries could have done to get closer. India has advanced in the field of international relations while Western Germany, politically crippled, has made spectacular economic progress. Germany has been under the Occupation, divided and denied full international status and membership of the United Nations in the absence of a Peace Treaty. Not until her economic recovery was well nigh complete was Western Germany in a position to improve these relations. This improvement has, however, been steady in the last five years till Western Germany has acquired importance today as one of the three major exporters of capital goods to India.

These economic relations have led to some impressive results. The outstanding instance of fruitful collaboration is the technical help made available for the construction of the Rourkela Steel Project, under the agreement reached with the Krupp-Demag combine in 1953. India's aspiration for manufacture of steel dates back to 1948 when three technical consultants presented project reports but these had not materialised until the economy of West Germany had been rebuilt to make men and materials available for the purpose. The supply of capital goods from Western Germany has expanded also due to the fact that no payments problems were involved because of India's membership of the sterling area (and thus indirectly of the E.P.U.). In view of the larger schemes of industrialisation under our second Five-Year Plan, West Germany appears, more than ever, a ready source of technical know-how which India needs more urgently than foreign capital. Economic relations have thus been established well enough, so in time as to widen gradually. Our exports to Western Germany have all along been much below our imports from that country for the reason that the commodities required by Western Germany like oil, fibres, food grains, are not in surplus, but this is part of India's general trade pattern, which cannot be expected to change for some time.

Dr. Bluecher's visit has, at the moment, turned India's relations with Western Germany to the larger question of how India could contribute to a solution of the problem of German unification. As the most intractable problem of the Cold War, a solution to the German problem depends on Big Four agreement. The hopes for the emergence of such agreement have now declined, with the steady evaporation of the Geneva spirit; but within the two zones of Germany the appetite for unity has only been whetted by the adverse turn of events since the Geneva Conference. The establishment of diplomatic relations between the Soviet Union and Western Germany has not

brought a solution any nearer. The price which the Soviet Union demands for agreeing, if at all, to German unification still remains high.

It is natural for the German people in this situation to speculate on the possibilities of India using her good offices in discovering a formula that would bring about the unification of divided Germany. Hitherto Mr. Nehru's interest in the German problem has been expressed in a rather remote manner, as part of a desire to see all the divided nationalities of the world unite under single governments. The chances of such union are as distant as ever in all these areas. But the Indian position in international affairs has been changing gradually and with the visit of the Soviet leaders the change has, in the Western view, become marked. The Soviet leaders have now subscribed to the Panchshila and by its acceptance, India appears to the rest of the world to have admitted that Soviet policies have been and will be consistent with those principles.

In an address in Delhi, Dr. Bluecher made the point that Soviet dealings with Germany have violated the Panchshila in letter and spirit. This statement corrected to some extent the impression abroad that India had provided opportunity for one-sided propaganda by the Soviet leaders during their tour. In addition it has served in an indirect manner as a plea for our testing Communist adherence to Panchshila before we decide to accept it at face value, and present it to the world as a successful solvent of tensions. If the acceptance of the Panchshila by Russia and China, in spite of their common alliances and military strength, should be taken as positive proof of their desire for peaceful co-existence, a similar adherence by a unified Germany should, in spite of whatever alliance she may decide to belong to, provide sufficient basis for her acceptance by the Soviet Union as a unified and independent member of the United Nations, with a freely elected government of her own. German assurances of peaceful intentions in the future have been accepted by the West already with safeguards. Soviet conditions which would hinder free elections or seek the preservation of the socialist system of Eastern Germany would constitute an interference in the internal affairs of the German people which may be said to militate against the observance of the Five Principles.

The German problem is thus the touchstone on which Soviet intentions can be now judged. Whether India can mediate effectively on this immensely complex issue is a different question. It may be rash to assume that it is possible. But we owe it to ourselves to see that the Five Principles, which we are putting forward as the key to the problems of the Cold War, are not used as a convenient aid to Communist peace propaganda. In putting the Panchshila to practical proof on the German issue, some constructive steps may be possible. If they are not, we can then at least become aware of its limitations; but if they are, it can take not only India and Germany but the whole world forward. Until then, the present relationships will continue. Though India's formal diplomatic relations are with Western Germany, we have recognised *de facto* the Germans living outside through our trade relations. It should be our policy not to accentuate the division by giving separate recognition to the Eastern wing, but to hasten the day when it will form part of a larger Germany.

The Islamic Republic of Pakistan

THE Draft Constitution for Pakistan, which will form the basis for discussion in the next few months, seems to have a reasonable chance of bringing to a conclusion the long and chequered history of constitution-making in that country. There is evidence that the failure to enact for themselves a Constitution is causing concern and frustration to the people of Pakistan and this, more than any other factor, may compel an early adoption of the Constitution now proposed. But it is not Pakistan's experience alone that has shaped the Constitution now presented; the experience in India in the last six years during which the Republican Constitution has been in force appears to have exercised even greater influence on the framers; and, if imitation is truly the sincerest form of flattery, then the framers have greatly flattered the Indian Constitution in extensively drawing on its provisions.

This is no more than an acceptance of the fact that the problems and even social philosophy of the people of this sub-continent have not become fundamentally different merely by the partition of 1947. In recognising this fact and in seeking to profit by Indian experience, the leaders of Pakistan have acted wisely. There are striking similarities between the two Constitutions, though some of them are due to the circumstance that the pre-partition Constitution has provided a common source. The distinctive features of the Indian Constitution are the chapters on Fundamental Rights and Directive Principles of State Policy and these have been incorporated in Pakistan's draft Constitution in substantially the same fashion. The provisions regarding elections, Service Commissions, the judiciary and the public services and the emergency provisions follow similar lines. The most interesting fact, however, is that even the wording of the articles and the general structure of the draft—which is tidier and shorter—follow the same lines, making thereby the constitutional precedents established here applicable to Pakistan. The few variations in the new constitutional set-up are not material. Pakistan will have a single-chamber Parliament. No citizenship provisions have been included and representation in Parliament is not in strict proportion to population as in India, for the reason that a system of parity between the two wings of Pakistan had to be provided for. There are some differences in the division of powers, the federal list covering a much narrower range than the Indian list; a unique feature is the special provision for a provincial railway authority.

Here the comparison ends. There is an outstanding difference in the major political philosophy behind the Constitutions of the two countries and this is to be found in the religious orientation sought to be given to the Constitution of Pakistan by calling it an Islamic Republic and in making certain special provisions to affirm this Islamic character. This, of course, is not a new development and the belief in the necessity of establishing an Islamic Republic proceeds on the assumption that Pakistan's *raison d'être* is the propagation of Islamic principles. But over eight years of Pakistan's existence have convinced everyone else not only of its being an anachronism in the present-day world but also of its inexpediency in a nation which contains a substantial minority of non-Muslim citizens. Geographical factors and the contentment of this

minority have required all along that the anomalies arising out of the creation of an Islamic State should be prevented. The Nehru-Liaquat Ali agreement of 1950 recognised that the contentment of the minorities in the two countries of this sub-continent required special provisions and safeguards. In India this has been achieved not only through constitutional guarantees and the establishment of equality between citizens before the law but also through the demonstration of the absence of any discrimination in practice on the basis of religion. This is no longer a matter which is open to argument. The most disheartening feature of the draft Constitution of Pakistan is that it has failed to profit by this example. While the dominant cultural pattern will be determined by the ways of thought of the majority, there would be no reason to make it the basis of discrimination.

The Islamic orientation is found not only in the Preamble which invokes Allah and the Quaid-e-Azam, the Holy Quran and Sunnah, but also in the rule that the President and the Vice-President should be Muslims, thereby imposing a positive disability on non-Muslim citizens in aspiring to the highest offices. Even in the case of other posts not so prohibited to non-Muslims, the oath of office would require them to bear allegiance to the Islamic Republic and not merely to the country's Constitution, as in India. The Directive Principles lay down that not only should Islamic principles be promoted, but that even on the international plane, unity among Muslim countries should be strengthened—a provision which has a parallel only in China's Constitution, which prescribes unity among Communist powers as a cardinal principle of foreign policy. The establishment of an Institute of Islamic Research and the prohibition of laws inconsistent with the Quran and Sunnah are fortunately excluded from application to non-Muslims; but these cannot offset the lack of secularism in State policy.

It would be less than fair to overlook the safeguards which have been provided for minorities, subject to this major premise of an Islamic Constitution. The Fundamental Rights provide against discrimination in the services and in educational institutions on the basis of religion and safeguard script and language. It is specifically provided that no person shall be compelled to pay any special tax, the proceeds of which are to be spent on the propagation and maintenance of any religion other than his own, thereby assuring that no modern equivalent of the hated *Jizya* will be levied. The justiciability of these provisions and the independence of the judiciary may safeguard against grosser forms of discrimination, but it cannot be denied that the Islamic character now given to the Constitution creates a secondary class of citizens which is repugnant to modern notions. In particular, the provisions regarding the President and Vice-President militate against equality before the law proposed in Article V. The leaders of Pakistan may not have yet acquired the vision to see the incompatibility of their theocratic conceptions with the requirements of a nation wedded to equality. Or having the vision, they have not acquired the strength to pursue the logical implications thereof. It must be our earnest hope that time would bring understanding, and with it the courage to act justly.

THE WEEK'S NOTES

DO STATES FOUL THE SOCIALIST NEST?

IN THE Prime Minister's speeches to the National Development Council, at its full session last week and before its Committee on January 7, there was a reference to the working of the Industrial Policy Resolution of 1948. Dealing with Prof. Gadgil's criticism that it did not go far enough, Mr. Nehru stated that State Governments were responsible for queering the pitch on the licensing policy on coal. This was a rather strange line to take. The State Governments are the proprietors of mineral wealth under the Constitution but it cannot be said that the Centre has been very scrupulously respecting these State rights. There would then be no point in having the Ministry of Natural Resources or of Production. There is also the case of the Mysore Government whose expropriatory instincts in gold mining are stronger than those of the Centre. Were the two Central Ministries in such a long slumber all along that they were unable to discover in time the wrong State policies in issuing licences for coal exploration or to secure agreement on a common policy? Or is it that they too were passive participants hitherto, but are now able to make scapegoats of State Governments because they function at the Centre and can take cover under its leadership?

Obviously the State Governments were implementing the Mineral Concession Rules, 1949, framed by the Centre under the legislation of 1948 for mineral development. These rules laid down the conditions deemed necessary and, if States have adhered to them strictly, wherein lies their fault? Should they have been preparing all along for the day when, in a sudden rush of the socialist tide, they would have to answer at the bar? Is it not truer to say that the rationing of resources for investment in the public sector sets the limits at the present time to an expansion of the public sector in coal?

It was only a year ago that the Industrial Policy Resolution of 1948 was subjected to severe scrutiny in the midst of the battle between the sectors and the verdict was that the same considerations continued to hold good. The Centre can take credit for interpreting the Resolution constructively in the national interest in the matter of establishing oil refineries and in allowing substantial expansions in the private sector in steel. The States had a similar right in their domain, to interpret the Policy Resolution in a positive manner. There was no reason to adopt a defeatist attitude in the face of the clamour of doctrinaire socialists who have not succeeded in establishing that the actual working of the Policy has been adverse to the national interest.

THE FOOD MINISTER'S WARNING

THE UNION Food Minister, Mr. Ajit Prasad Jain, administered a warning last week to the grain trade against indulgence in speculative activity, giving a categorical assurance that the Government was in a position to meet the effective demand for wheat until the next harvest. Between June and December last year the question of food prices turned full circle and the problem today is once again not price supports but price curbs. It is not expected that there will be a fall in the wheat crop this year though the harvest may be delayed; and the damage to stocks suffered in the Punjab floods would not justify the price increases. It is significant that jowar and gram prices have also been high in the last few months. While speculative activity can be responsible for accelerating price increases, these price trends cannot be entirely due to such activity. For the third year in succession, the index of agricultural production is expected to remain high at 115 (1949-50 = 100); and without any indication of seriously adverse weather conditions, speculation in grain would

hardly pay unless there are reasons to believe that, under the tempo of development expenditure, the demand for grain for consumption has also increased. In 1955, only 435,200 tons of wheat and 264,900 tons of rice were imported. The Food Minister has now reported that some quick arrivals are expected out of the orders now placed for the import of 180,000 tons, to supplement the present Central reserve of 200,000 tons.

Apart from the warning to the trade that the Government's supply line is functioning effectively, Mr. Jain appealed to the self-interest of the traders by pointing out to them that the consequences of their action would be the strengthening of the cry for physical controls and rationing. Mr. Jain has resisted this school of thought just as strongly as his great predecessor in office, the late Mr. Rafi Ahmed Kidwai, who helped to inject dynamism into our agriculture by freeing it from a system of controls which had operated viciously for several years. There is always the danger of a setback being caused by the doctrinaire demand for controls. The trade can avoid only the unhealthy forms of commodity speculation, but its responses to the supply and demand position of commodities can be indicated only through the price mechanism. One of the effects of the present price spurt would be the maintenance of the incentives in agriculture which only six months ago seemed to be decreasing; that is in itself a good augury for achieving the agricultural targets of the second Plan. But the Government on its part must be ready to intervene with its own stocks and to provide the transport from the surplus to deficit areas; in other words, the present policy must be adhered to with greater efficiency. It is now excusable that the Government, which had been worried too much in the past by a price decline, has not been ready with more stocks on hand when the position suddenly changed.

NO COMMON GOVERNORS

OF THE suggestions made by the States Reorganisation Commission for bringing about greater administrative unity was one that some of the States which are contiguous can have common Governors, common Public Service Commissions and such other institutions as would tend to help a common approach. These suggestions were, to some extent, based on considerations of economy in expenditure, though the saving that could be effected would not be large. But it now turns out that the desire of each State to have a Governor all to itself is too strong to be shaken by any consideration. State Chief Ministers fear that acceptance of the S.R.C. recommendation would create difficulties in the smooth running of the administration, that in fact the grievances against Service Commissions or Governors would become common. Difficult questions may arise if two States are to have a common Governor, who may have an unenviable position when inter-State disputes arise. Consultations may involve more expenditure than what is saved by having one Governor in place of two; a nice point is whether the Governor or the State Cabinets would be peripatetic.

The Chief Ministers have also opposed the S.R.C. recommendation for common Public Service Commissions and for more all-India services. It is understandable that the State Governments should be chary of sharing appointments to a Public Service Commission with another State or surrendering them altogether to the Centre. But the constitution of common Service Commissions will cause less administrative inconvenience than having common Governors and may lead to more independent and impartial selections to posts. At least the parochial outlook of some States, exhibited in requiring that candidates should be domiciled in the

State concerned, might have given place to a broader view. The constitution of some more all-India Services will also act as a counter to narrow sectional tendencies which are becoming all too prominent. It is understandable that some of the politicians in charge of affairs in the States do not want any whittling down of their powers (latent, of course, in this instance), which will restrict their scope for doing favours. A second consideration may be the linguistic difficulty in allowing persons from outside the State being recruited in the future unilingual States. In any case, the validity or otherwise of the S.R.C. recommendation cannot be tested by the immediate response; co-ordination in such matters can be sought only over a period of time in unobtrusive ways and not through written directives just now when the atmosphere is full with feelings over boundaries.

WHEN CHARITY BEGINS AT HOME

THE REPORT that the Union Finance Ministry has opposed on financial grounds, as well as in principle, a proposal of the Education Ministry for providing free education up to a certain class to the children of non-gazetted Central Government employees raises an issue of some importance. Free compulsory education up to the age of fourteen is a Constitutional Directive, and quite soon Government servants, like others, will get the benefit which has been now sought to be given to them alone. The question is whether Government servants as such should get a prior benefit of this objective. There are people much worse off than Central Government employees who may be deemed to be deserving the sort of assistance proposed. The children of officials, even those at the bottom, would not normally be deprived of educational opportunities; in most cases, the fees will be paid, though there would be some hardships; but the hardships must be compared with the facilities available to other sections of the community.

Similarly misguided is the move to restore the system of privilege tickets according to which the Central Government used to pay two-thirds of the rail fare for annual trips by Government servants and their families for travel in the class to which they were entitled on the basis of their salary. Apart from the financial implications, there seems to be no justification now to grant a concession which was withdrawn a few years ago on the ground of its discriminatory character. The period of the second Plan will be one of heavy strain on the country's transport system. It is also possible that railway rates, particularly on goods traffic, will be put up as a means of mobilising additional resources for the railway plan and even passenger fares may provide an "abnormal" but necessary means of finding resources. Any proposal indirectly to encourage subsidised rail travel by one section of the community, when the others will in all probability be asked to pay more, is clearly inconsistent with the austerity required on railways. Restraints on unnecessary rail travel can be one of the most effective ways of curbing consumption, and since trains in the next five years are bound to be even more crowded than they are now, it would be wrong to plan for bounties. It must not appear that the Central Government, as the fountain-head of all authority and resources, appropriates to its own employees more privileges than are available to others.

ISRAEL CONDEMNED

CONTRARY TO its usual dithering and platitudes, the United Nations Security Council has condemned Israel for the attack on Syrian outposts which took place on December 11. That the resolution was passed unanimously in no way reflects the impartiality of the eleven members of that august body. In the East-West competition for Arab favour, it is obvious that neither bloc will care to offend Israel's neighbours, and when the Soviet delegate launched a strongly-worded attack on that unhappy country, the result of

the Security Council discussion became a foregone conclusion.

It was a reflection of the present international scene that no one referred to the fundamental cause of the problem, that is Israel, in the debate. That small nation of just over a million people is surrounded by Arab countries which have a population of some thirty million, and more than one Arab leader has declared that the presence of Israel on the shores of the Red Sea is an anachronism. The first need is, therefore, for the Arab States to realise that Israel has come to stay and will stay. Israel also should realise that her future existence depends on coming to an understanding with her neighbours; she has been straining at the leash all the time and has taken the initiative in fierce border attacks which have damaged her cause greatly. The present state of armed truce cannot continue for long, for time is on the side of the Arabs—and they very well know it. It, therefore, behoves Israel to agree to pay compensation to the 900,000 uprooted refugees, for which Mr. Dulles has already indicated the US will help in raising a loan.

Another problem is the demarcation of the frontiers of Israel. Her present borders were fixed by the armistice agreements of 1949, and, though not meant to be permanent, have lasted through six years of frequent clashes. It is true that they do not represent, in many places, any natural boundaries, but it seems unlikely that any change will be acceptable to both the parties concerned. A solution lies in the Big Powers guaranteeing the present lines, unless there are agreed changes.

SINO-AMERICAN TALKS FOUNDER

THE GENEVA talks between representatives of the United States and Chinese Governments seems to be heading for a deadlock. Weeks have been spent in discussing the single issue of renunciation of force and still no agreement is in sight. In fact the discussions have only brought out more clearly than ever before the cleavage of opinion between the two Governments. America's insistence that the declaration renouncing force should include the Formosa area has not so far met with favourable response from China, who obviously holds that Formosa is part of her territory and consequently military action against it is no concern of the United States. Logical as this attitude is, refusal to modify it shuts the door to Sino-American understanding. The United States has, for her part, declared that she was not asking China to abandon her claims to Formosa but only to renounce the use of force for establishing them.

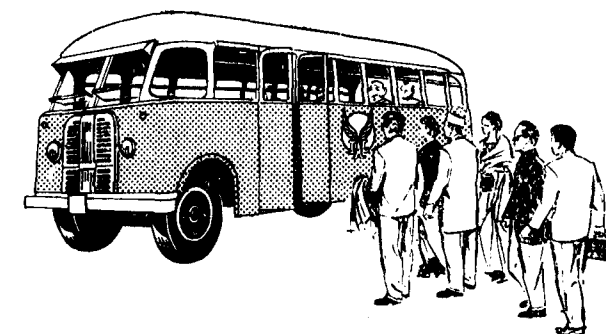
So long as present treaty arrangements between the United States and the Kuomintang Government continue, China cannot hope to gain control of Formosa by mutual agreement. But neither is resort to force a solution because the conflict will be widened. It is, therefore, rather surprising that China should balk at agreeing to a declaration renouncing war as a means of achieving her objectives. Did she hope to persuade the United States into signing a declaration which would have left her free to take Formosa whenever she chose? Nor is Formosa at all an urgent problem for her. Also demonstration of her peaceful intentions may convince the United States that Formosa as a defence outpost is of no particular value.

The repatriation of civilians, agreed upon already, is also not going on as it should. Some thirteen Americans are still in Chinese prisons and the United States is demanding their release. China has in turn charged the United States with not permitting Chinese wanting to return to their country to do so. However, the case of Chinese nationals in the United States is on a somewhat different footing. Several thousands of Chinese in that country have now been there for years and came out with the intention of making the United States their home.

I never realised flying overnight saves so much money!



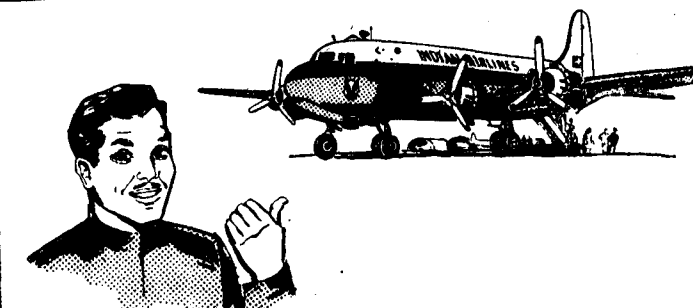
Time really is money to me. I can't afford to waste valuable working hours. That's why I chose IAC's night service. But I never realised how many other expenses it would save



Travel to and from the airport costs nothing! An IAC luxury coach takes you both ways — so comfortable, quick and convenient



Airport staff take charge of your luggage, put it on the plane, load it on the coach when you arrive — there's nothing to pay



If you are travelling onwards, you step straight into your connecting plane. No overnight stops — so you spend nothing on accommodation!

NOW fly overnight by luxurious 4-engined Skymasters

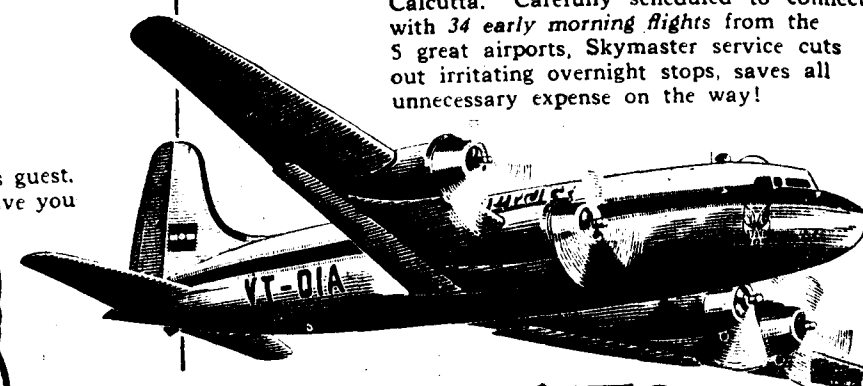
New luxurious Skymaster services connect Bombay, Delhi, Madras, Nagpur and Calcutta. Carefully scheduled to connect with 34 early morning flights from the 5 great airports, Skymaster service cuts out irritating overnight stops, saves all unnecessary expense on the way!



During the journey you are IAC's guest. And what a fine breakfast they give you — no extra charge, of course

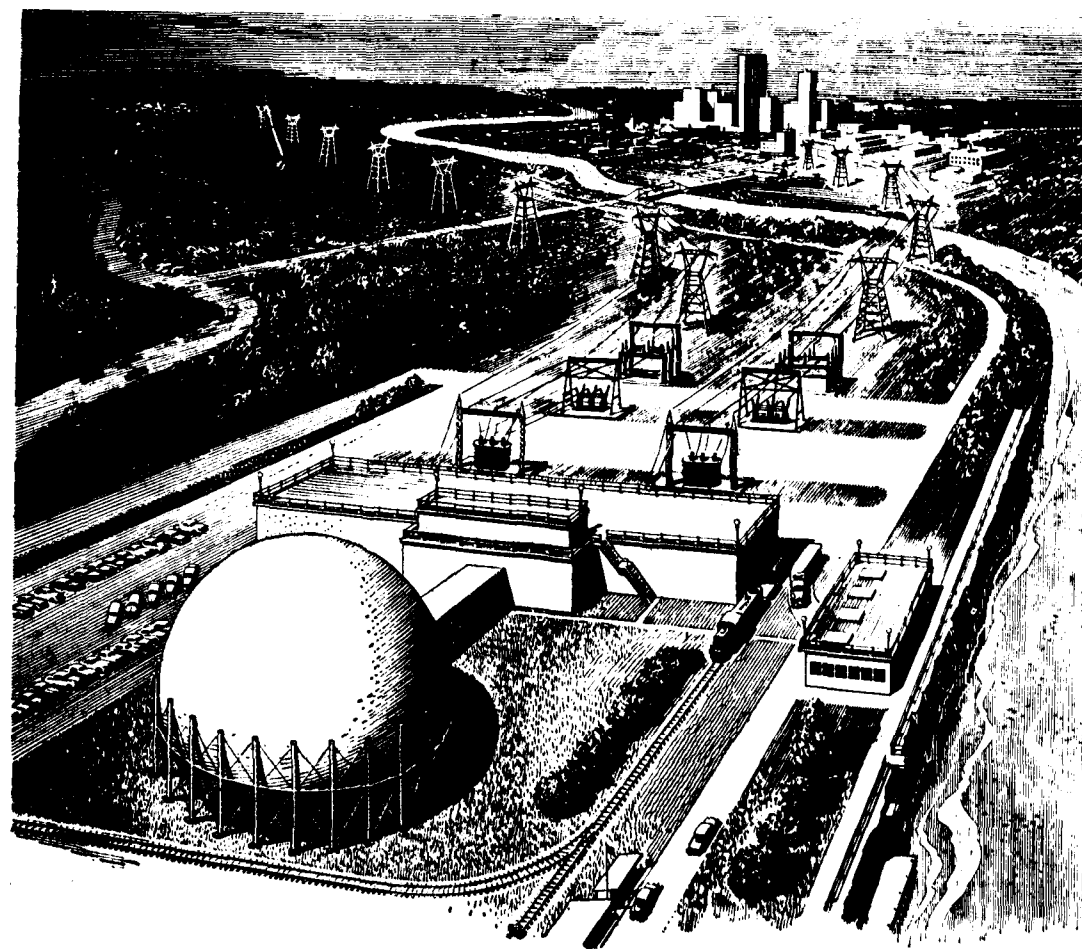


For details contact an I.A.C. booking office or your Travel Agent.



INDIAN AIRLINES CORPORATION

Malhotra Building, Queensway, Delhi
Telephone: 40071 (4 lines)



Atomic ELECTRIC LIGHT AND POWER

General Electric has been an important contributor to the atomic development programme from the beginning. An important milestone was reached in 1940, when two G-E scientists, as one of two U.S. research teams, succeeded in separating U-235 from natural uranium. In 1955, G-E switched on America's first commercially-distributed atomic electric power and signed a contract to build the world's largest all-nuclear power plant.

At present, skilled scientists and engineers at G-E are engaged in full-time atomic activity, developing nuclear reactors and other special atomic products for use in many fields, including medicine, metallurgy, agriculture, chemistry and the production of abundant electric power. In this way, G-E continues its progress in research and engineering to make life better for you and enhance the development of your country.

Progress Is Our Most Important Product

GENERAL  ELECTRIC
U. S. A.

INTERNATIONAL GENERAL ELECTRIC COMPANY (INDIA) LIMITED
BOMBAY • CALCUTTA • NEW DELHI • MADRAS • AHMEDABAD • LUCKNOW

A Window on the World

GAITSOCIALISM

By

ODYSSEUS

A RECENT PERSONAL TALK on your behalf with Mr. Hugh Gaitskell, the newly elected leader of the British Labour Party, together with a study of his essay on the future of British Socialism just published in "Socialist International Information", has convinced me that if Britain is moving Left, the British Left is moving Right.

Mr. Gaitskell is, with President Eisenhower, Comrade Khrushchev, Sir Anthony Eden, and our own admirable Pandit, one of the half dozen world leaders whose importance makes them tower over the global scene. Mr. Gaitskell is of this number not only because he must, when sooner or later the next swing of British electoral opinion comes, be Prime Minister of the UK (a country which, in spite of its admitted decline, still remains the third great world power) but also because he is engaged in streamlining Socialist theory in the light of Socialism's past quarter of a century of experience in responsible office.

It is (to coin a Chestertonian paradox) because I am not a Socialist that Mr. Gaitskell's analysis of Socialism fills me with relief. Faithful readers, who spend their spare time poring over back numbers of this column, storing up the treasures of its thought and quoting aloud to each other the stylistic felicities with which it abounds, will know that I have never maintained that Socialism will not work. The argument that I have repeatedly elaborated is that there is no perfect system either of government or of economic organisation, but that all the evidence suggests that the less objectionable, and more just, system is democracy in politics and free enterprise in economics (see, e.g., the series "Is Democracy Possible in India?" published here between January 23 and April 17, 1953, and "Capitalism or Socialism?" between April 23 and July 9, 1954). Of course you can have Socialism and survive, just as you can live, work, and survive the handicap of an amputated leg. In its origins, Socialism is a protest against the all too widespread economic injustices that humane-minded people, such as Sydney and Beatrice Webb and Bernard Shaw, thought were not being adequately fought under the Capitalist system, or which (they believed) could not be eliminated under that system. They therefore thought up a whole series of cures for these ills. Thus was Socialist doctrine formulated. Subsequent experience has shown that a portion of their doctrine (notably the "nationalisation of the means of production and distribution") not only does not cure the ills that it is supposed to cure but actually hinders production, and therefore lowers the standard of living.

BERNARD SHAW'S HOARY ECONOMICS

The trouble with Socialism is that so much of this classical doctrine is bound up with the emotional history of the Socialist movement, with its period of birth and struggle, and with its hours of triumph, so that it has become disloyal or "anti-Socialist" to criticise it.

The exciting thing about Mr. Gaitskell is that while proclaiming his faith in Socialism, he is exposing the worn out slogans and clichés to the blast of contemporary economic realities, and the important thing about

him is that in view of the position that he has won by the force of his character, as leader of the most influential Socialist party in the world, his pronouncements are likely to become the new classical writ for Socialists throughout the free world. India especially could benefit by Mr. Gaitskell's re-thinking out of Socialism, because when not so long ago I made a tour through Calcutta, Bombay, Lucknow, and other universities, I found the hoary Socialist economics of Bernard Shaw and his generation in unchallenged possession.

Mr. Gaitskell points out that the earlier Socialists criticised Capitalism on the grounds of the nature of the payments made, on the wrongness of rent or interest or profits as such, which they therefore treated as the cause of inequality, rather than in seeking to answer why one man got more than another. To the Marxists, who believe that society is rigidly divided into classes, between those who have property and live on surplus values, and those, who, having no property, have to work for wages, the distinction does not matter. And revolutionaries who wish to overthrow the system at one blow, to abolish private property in the means of production, do not bother with the details of distribution between persons.

"But," says Mr. Gaitskell, "to a modern economist who understood the nature of the pricing system, who was not hopelessly prejudiced against a market economy as such, who realised that the class structure was a great deal more complicated than Marxists supposed, who was nevertheless shocked by the social and economic injustices that he saw around him, but being a democrat wished to proceed gradually to remove them, to such a man the realistic analysis of why some individuals were richer than others was of immense importance."

CAUSES OF INEQUALITY OF INCOME

Hugh Dalton was the first to publish a comprehensive study of the causes of inequality of income. His pioneering conclusions are the platitudes of today's economic thought: the distribution of income from property is dependent on the distribution of property itself, which, in turn, largely revolves around the amount that a man inherited. In this, Dalton agreed with the American economist Irving Fisher, who said that the distribution of property was dependent on "inheritance, constantly modified by thrift, ability, industry, luck and fraud." It occurs to me that the difference between a Capitalist and a Socialist is that the Capitalist stresses inequality as arising from "thrift, ability, and industry", whereas the Socialist sees nothing but the "luck and fraud".

As to the distribution of income from work, Dalton said that differences did not arise basically from the amount of work done by the individual but from the different rates of pay which, in turn, arose partly from the nature of the work, but even more because everyone did not have the same opportunity of entering the better paid occupations. Opportunities varied according to environments and education which sprang from inequalities in the wealth of parents. Thus Socialists

believe, and I agree with them, that the major causes of inequality originate in the inheritance of wealth and in the educational system.

SHAMELESS FINANCE MINISTERS

In tackling problems of inheritance, Dalton proposed a distinction between death duties on inherited wealth (a) accumulated by the parent himself and (b) which the parent had inherited from his father and again, a stage further back, from his grandfather. To counter the argument that this would decrease saving, Dalton said that death duties should not be spent in current government revenue but transferred to a capital fund. I must, however, point out that, seeing the way in which governments raid all allegedly specially earmarked funds (like the Road Fund), and seeing the shameless way in which hard-pressed ministers of finance of all parties, of all governments, in all countries, appropriate anything within reach, I am not impressed with Dalton's solution of the problem of ensuring the preservation of savings. One must, however, concede that it is a major step up that the Socialists now recognise that there is a problem of saving that does require solution.

Dalton also proposed that the state should accept securities and land in lieu of cash when the tax was paid, and that "if possible" (sic!) in order to increase the total of saving, half the income which thus became government property should be re-invested (which presumes finance ministers to be men of iron rather than flesh and blood politicians).

Mr. Gaitskell emphasises that Dalton's ideas broke away from the doctrine (still enshrined in the constitution of the British Labour Party) that the nationalisation of industry was the sole method of Socialist advance. Dalton pointed the way to the doctrine that Mr. Gaitskell is now courageously inculcating among the Socialists of Britain that there can be an advance to greater equality via public ownership without necessarily involving public control—an idea which Mr. Gaitskell insists is important if there is to be for

a long period a mixed economy with a large measure of private enterprise. (Are you listening there in the North Block of the Secretariat in New Delhi?)

We will continue next week this sketch of Mr. Gaitskell's streamlined Socialism for 1956.

RECORDS & STATISTICS (QUARTERLY BULLETIN)

Editor: R. V. MURTHY, M.A.

"The Eastern Economist" Bulletin of Records and Statistics surveys economic trends in each quarter in India and abroad with the aid of graphs and all available statistics. One of its special features is the Investment Supplement.

Annual subscription Rs. 12

For subscribers to "The Eastern Economist" " 10

Single copy " 3

Copies can be had from all important Booksellers and Railway bookstalls of Messrs. A.H. Wheeler & Company

For details write to:

THE EASTERN ECONOMIST

NEW DELHI: 52, Queensway.

BOMBAY: Kermani Bldg., Sir P.M. Road, Fort.

CALCUTTA: 28 & 29, Royal Exchange Place Extn.

LONDON: 3, Salisbury Court, Fleet Street.

NEW YORK: 25, Broadway.

MBX-50/55

The Metal Box



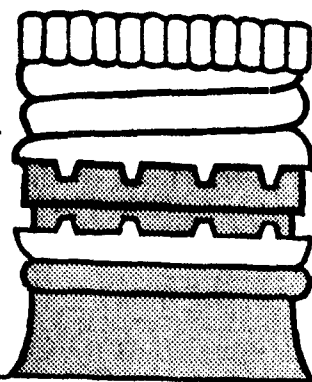
means

Retail Safety

FOR FULL DETAILS AND TECHNICAL ADVICE PLEASE CONTACT

**The Metal Box Company
of India Ltd**

Calcutta Bombay Madras Delhi Mangalore



A DELHI DIARY

THE JOY OF REBELLION

SWEET are the joys of rebellion. I did not realise until Republic Day how great can be the satisfaction from a refusal to conform. Everyone was doing it—going to the Republic parade and sitting it out for three momentous hours. I decided that it would be good to keep away to show that the greatest attraction in Delhi could be resisted. I consider that, while I have failed my readers on a description of the Republic Day parade, I can claim to have ruminated more successfully on other things. Also, I discovered it was easier to go through the remaining items of an exacting day without a feeling of weariness which I detected on a large scale at the President's 'At Home', and in the round of traffic seeing the lights and sights, which have now become ritual, until 10 p.m. at night. Long may Republic Day endure as a central passion at a time when national unity has been called in question. But for those who can afford to stay away (having seen the Republic Day parade in similar forms for five years running) I recommend peace and quiet on a spacious lawn for those who can afford (or borrow) this acme of luxury in a socialistic pattern of society.

THE BENGAL-BIHAR MERGER

The great event of the week has certainly been the joint statement of the Chief Ministers of West Bengal and Bihar proposing the merger of the two States. There are plenty of cynical people about who will call this a stunt. It may well be that when this proposal is exposed to the fierce light of day—which includes the quite foolish passions of the moment as well as the not-so-foolish memories of five generations—the merger proposal will look less attractive and less feasible politically. For the present, however, I ignore the cynics and the critics. This is one of the grandest things that have happened in the last few years. It shows a tremendous capacity in the country to generate leadership in the truly grand manner at times of national crisis. I consider that Dr. B. C. Roy and Shri Sri Krishna Sinha have placed themselves amongst the foremost leaders of India by this magnificent gesture. It will be no fault of theirs if they are far ahead of the times. That the merger will come one day under pressure of circumstances seems to me extremely likely. Let the pessimists differ, or better still, let them be converted. A light in the Heavens is all that can be vouchsafed to us at this time. There is no guarantee that peace on earth and goodwill amongst men follows naturally in its course any more than it did two thousand years ago.

THE FINANCE MINISTER

Delhi has been in the throes of its own particular crisis arising out of the States Reorganisation Commission's proposals. The resignation of the Finance Minister, Sir Chintaman D. Deshmukh, burst upon an unprepared world on Monday almost as sharply as did his own thunderbolt on nationalisation of insurance on the previous Friday. I do not know how to assess the events that have taken place in such rapid succession as to defy accurate arrangement in chronological order. The facts seem to be plain, though not the sequence. On Saturday the Maharashtrian appeal to all Maharashtrians to resign struck a chord in Delhi. On Sunday Sir Chintaman sent in his resignation. On Monday the Finance Minister downed tools declining to see any files and returning all papers addressed to him, as though he were not Finance Minister of the country. On Tuesday he declined to act as host at a party in honour of Sir Jeremy Raisman although

invitations had been sent at his direction. On Wednesday the ice thawed and the Finance Minister was reported to be back at work. At the moment the current report is "Weather Fair"; the resignation has neither been pressed nor accepted.

The subject of constant interest in Delhi is why the Finance Minister of India chose to take this particular stand. Does he consider that, as a member for a Parliamentary constituency obviously deeply affected by the decision on Bombay, he should register that feeling by withdrawing from the counsels of the Central Government? If he does, he would be logically required to press his resignation if no modification of the proposal took place. But whether or not he presses his resignation, the point seems to be clear that provincialism has now entered into high places in the Central Government. Thus even the Central executive must be prepared for an attack of the new malady—worse than the Delhi jaundice—called 'Linguism'. The fact that this particular malady has laid low the Finance Minister of India has been one of the most disturbing events in New Delhi in recent years; that it should have got a hold on such a tremendously scholarly and profoundly sensitive mind as Sir Chintaman Deshmukh's seems to indicate that it is a deep and powerful new microbe whose exact behaviour cannot be predicted. The fact that it is being spread on a large scale by the Communists for reasons of their own does not make it any more reputable. I look to the merger movement as the major antidote for the new poison. Everyone in Delhi to whom I have spoken answers 'Amen', but who shall deliver us, in the words of the Apostle, from the body of this death?

THE OPEN DOOR

The best I like to think in the words of Rabi Ben Ezra, is yet to be. If the merger idea gathers force there is no doubt its potentialities are enormous. Already there have been informal talks between Rajasthan and Gujerat for a merger which will certainly come about. Here at least there are no major rivalries; it may well be that Gujerat's 'adventure' will help the backward State of Rajasthan and there will be no losses, only gains on both sides. At a later stage Maharashtra will be invited to join this merger—with what result I dare not prophesy. I am less hopeful about the Dakshan Pradesh proposal of amalgamation of Madras, Mysore and Kerala. Mysore I should mention is already a real merger of the old Mysore and new Karnataka provinces. Why should not Kerala and Mysore be joined in the first instance leaving the door open for Madras later on? There are many people who, like me, believe in the policy of the open door. I commend the open door to Maharashtrians and to Madrasis alike!

MARTHA GRAHAM

As a postscript to a heavy political session may I add a few cheerful words about art? Martha Graham, the famous American dancer, captured attention on three days this week. Her version of modern dancing has not struck a responsive chord everywhere. I must confess, of three pieces which I saw on Tuesday, the central one left me cold. I was, however, greatly moved by 'Seraphic Dialogue' a wonderful piece conveying the mystic communion of Joan of Arc with her favourite Saints. Since the Cold War cannot be absent in art, let me record the arrival of another Chinese delegation as well as a troupe of Soviet dancers!

ARGUS.

Economic Report from the U. S.

ECONOMIC TRENDS

(BY GUY SIMS FITCH)

WASHINGTON, Jan. 24.—It is not exactly surprising to find President Eisenhower reporting, in his annual economic message to congress, that the United States achieved new and unprecedented levels of activity last year. Now was it entirely unexpected to find him predicting a continued strong economic position this year. These, after all, were judgments which most private economists already had made.

However, it is a point of satisfaction, to find these independent appraisals generally confirmed by the Government, which has at its disposal the most comprehensive and refined statistical information ever compiled. And that consolation is heightened by the realization that the men chiefly responsible for preparing the President's Report is not only a renowned research economist and teacher, but an internationally respected expert on the nature and course of business cycles—Dr. Arthur F. Burns, Chairman of the President's Council of Economic Advisers. Business men and economists, therefore, will be taking a close look at the President's realistic analysis of current business trends in the United States. It will give them invaluable clues as to the problems they may encounter in the year ahead, and an idea of the policies the Government may be following to help keep the economy moving upward. These lessons, if studied carefully, can only result in better business management, which is after all a major element in the success of any free enterprise system.

The report notes some slackening in the economic expansion of the past year—a not unexpected development in an economy already operating at close to capacity—it finds the economy "starting the new year from a strong financial as well as a strong industrial position." For every apparent sign of weakness, there is a compensation and overriding sign of strength. Thus, consumers have added heavily to their debts, but they also have added substantially to their liquid assets and earning power. Current liabilities of business firms have risen, but their current assets have risen still more. Agricultural inventories are high, but they are largely held by the Government and their disposal will not be permitted to disrupt markets. Business inventories have been growing, but they are locked, for the most part, in the productive process and have been outstripped by increasing sales. Housing and automobiles, two important industries that have pointed downward recently, come in for special comment. The report attributes the recent slump in home construction to limited supplies of mortgage money and building materials. It finds conditions in the construction industry basically satisfactory, however, with shortages of materials easing recent weeks and the condition of the mortgage market beginning to improve.

The report points out that the trend of aggregate consumer spending continues to be upward, despite recent declines in expenditures on automobiles and other durable goods. Retail sales in December, it notes, were at the highest level ever. While consumers may not buy automobiles in 1956 at 1955's extraordinary rate, they are likely to spend even more freely than in the past on home improvements, home furnishings, and such non-durable goods as food and clothing. Business investment, which had been rising vigorously in recent months, is seen as perhaps the strongest contributor to continued prosperity in 1956. Orders for machine tools, freight cars, turbines and other equipment have been expanding. New business incorporations have been proceeding at a high rate. Contracts for

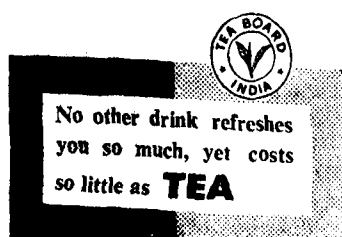
commercial and industrial construction have been moving to new record levels, as have business plans for capital spending on new plant and equipment, involving to a considerable degree firm commitments for 1956 and even for years to come. Other economic props will come from Governmental outlays and from a healthy international commerce. Pressures for local improvements—notably for schools, roads, hospitals and other public facilities—are expected to generate significant increases in state and community spending. Federal expenditures, which have been declining steadily for more than two years, also may move a little higher. And foreign trade, at once a result of a contributor to economic prosperity around the world, is expected to continue at record levels in the months ahead.

Despite all these heartening factors, Mr. Eisenhower and his advisers are taking nothing for granted. "We must above all things," they say, "avoid complacency." Alertness in adapting monetary and fiscal programmes to current economic conditions has been a keystone of U.S. Government policy in recent years. In this policy of flexible vigilance the American people have an added measure of assurance that their well-being, which reached unparalleled heights in 1955, will continue to improve in 1956.



WORLD CONSUMPTION

India meets over 50% of the world demand for tea which is estimated at over 1,200 million pounds a year, excluding China, Japan and the U.S.S.R.



PST 140

WORLDGRAM

AGRICULTURE

Increase in Afforested Area in Israel: The Jewish National Fund Scheme to plant 5,000,000 trees this season has been initiated. This figure exceeds the 3,500,000 trees planted last year and now represents the yearly quantity in the Five-Year Plan formulated by the Jewish National Fund. The development of 450,000 dunams of hill country—300,000 dunams by reclamation and the rest by afforestation—and the settlement of some 12,000 new immigrant families are the keynotes of the Plan.

Rise in Canadian Wheat Stocks: Visible supplies of Canadian wheat on December 28, 1955, totalled 365,017,000 bushels, slightly above the preceding year's total of 355,114,000 bushels. Wheat marketings in the Prairie Provinces during the week ended December 28 fell to 2,915,000 bushels from 8,444,000 and overseas export clearances dropped to 1,488,000 bushels from 2,081,000.

INDUSTRY

U.S. Car Companies Cut Output: General Motors Corporation and the Chrysler Corporation on January 13 announced cutbacks in production. Output of the Chrysler division is being reduced by 10 per cent to maintain a balance between production and market demand. General Motors is laying off a total of 4,000 at six assembly plants across the country, or 22 per cent of the total labour force at these plants. This move is described as a "scheduled readjustment". Ford Motor cars in dealers' hands at the end of last year totalled 180,000 or five times as many as at the end of the previous year. Production of passenger cars in the last quarter of 1955 totalled 608,000 giving the company 31.5 per cent of the total market. This month the output of both Ford and Mercury cars has been reduced.

Control on Quebec Newsprint Industry: The Bill to place the Quebec newsprint manufacturing industry under strict official control has been tabled in the Legislative Assembly at Quebec because the manufacturers ignored a demand by the Premier of Quebec to keep prices down for local newspapers. The Bill calls for the control of production, distribution and sale of newsprint in Quebec province where 55 mills form one of the biggest single concentrations of newsprint production in the world.

Dieselisation of Bombay Port Trust Railway: Orders for ten diesel locomotives with spares, at a total cost of Rs. 28,20,254 have been placed by the Bombay Port Trust with a German firm, following its decision to dieselise its railway system. Deliveries of these diesel locomotives are expected within 14 months. The Bombay Port Trust has now 23 old steam locomotives. If these are replaced by diesel locomotives, an annual saving of Rs. 4 to Rs. 4.5 lakhs in operating costs is anticipated. In efficiency and economy, the diesel locomotive is believed to be superior to its cousin run on steam. In the case of a steam locomotive, much time is lost in returning to shed for coaling and watering in each shift and in frequently baking fires and raising steam, factors which are totally absent in diesel. So, too, the advantage in expenditure over running sheds lies with the diesels.

Survey For New Railway Line in Uttar Pradesh: The final location and traffic survey for a broad-gauge line of about 100 miles between Robertganj and Garwa Road (via Chopan and Pipri) on the Northern Railway, has been sanctioned by the Railway Board at an esti-

mated cost of Rs. 4,74,000. The Robertganj-Garwa line, when constructed, will help to open up undeveloped territory in Uttar Pradesh and also assist in the construction of the Rihand Dam at Pipri.

Draft Standard for Silver Plating: The Indian Standards Institution has circulated for eliciting comments a draft Indian standard specification for commercial silver plating for articles for domestic and restaurant use. This draft standard lays down the composition of the basic metal, thickness of the deposited silver on electroplated table-ware flatware and hollow-ware, methods for determination of weight of silver deposit and surface area of articles with different shapes. Tests to determine the thickness of plating have also been prescribed in this standard. The draft has been prepared by the Electroplating Sectional Committee of the Indian Standards Institution.

Big Rise in Middle East Oil Output: Although the U.S.A. remains the world's largest oil producer, the most remarkable developments of recent years have taken place in other countries—particularly in the Middle East. Figures just published by the Petroleum Information Bureau in London show how the oil industries in the Middle East have grown over the past 30 years. In 1925, the Middle East supplied no more than 5,000,000 tons of oil, and the major producer in that area was Persia. Last year's contribution from the Middle East was over 160,000,000 tons, of which 16,000,000 tons came from Persia—equal to half her output in her peak year of production (1950). Persia's contribution last year was far exceeded by that of three other States—Kuwait, Saudi Arabia, and Iraq—none of which produced oil 30 years ago. Indeed, Kuwait only supplied her first oil in 1946, and Saudi Arabia in 1938, but the two are together producing over 100,000,000 tons of oil annually at the present time. In fact, the Middle East as a whole is now providing more oil than the entire world did in 1925.

New Atomic Reactor Tested in U.K.: Successful tests have been conducted at the U.K. Atomic Energy Research Establishment at Harwell, Berkshire, with a new type of atomic reactor known as ZEUS (Zero Energy Uranium System). It is a fast breeder reactor designed to create more fissile material than it consumes, and is of the same type as the one to be used in the experimental power station now being built at Dounreay in the north of Scotland. ZEUS is expected to come into regular use shortly. The reactor is designed to study the problems involved in a large-scale power station, and has been under construction at Harwell since early last year.

Big U.P. Order for British Electrical Equipment: A contract for the supply and installation of equipment for the new Chopan steam power station near Mirzapur has been given by the electricity department of the Uttar Pradesh Government to Brush Export, Ltd., of Loughborough, England. The order is worth £360,000 and the designed installation work will be carried out by the General Engineering Division of Brush Export. Equipment to be installed includes two 3,000 kw MCR Brush-Ljungstrom radial-flow turbo-alternators—generating at 6,600V, 3-phase, 50 cycles—and two John Thompson "integral"-type water-tube boilers with a maximum continuous rating of 45,000 lbs. of steam per hour, a pressure of 425 lbs. per sq. inch, and a temperature of 775°F. Feed temperature is 210°F. The Chopan steam power station will be connected through 3,000 KVA transformers to a 33KV transmission line to the Rihand dam diesel power station, which is adjacent to the dam site.

Penicillin Plant in Bombay: The first penicillin plant in South-East Asia has been completed in Pimpri, Bombay, by the Government of India with assistance from the U.N. Plans are under way to purchase additional equipment to increase the output. By next summer the plant, which started its trial runs last March, will reach its first target production of 1,000 lbs. of penicillin per month, about 250,000 10-c.c. vials. The output, however, will eventually go up to 2,500 lbs per month.

TRADE

Swedish Glass Exports: Sweden's glassware exports, which totalled Kr. 16,600,000 (£1,145,000) in 1954, about 1 million kronor more than the previous peak year, 1951, are expected to have shown a similar rise in 1955. The increase is due primarily to a larger export volume, though to some extent also to higher prices. Higher figures were registered for practically all kinds of glassware, such as window glass, bottles and containers, lamp shades, thermos flasks, and also decorative glass and household glassware.

Textile Exports From Japan. Japan last year ranked first in cotton cloth exports and was the greatest spun rayon producer in the world for the third year. Its shipments of cotton cloth, according to the Japan Cotton Spinners' Association, ran to 1,136,931,000 sq. yards, while Japan Synthetic Textiles Association said that its output of spun rayon attained 530,829,000 pounds. Japan also placed a global third in rayon yarn production with a turnout of 173,412,000 pounds. The amount of cotton yarn exported by Japan during the past year was put at 26,202,000 pounds.

Platinum Imports from Britain by Germany: The West German Government's import committee has published authorisations for imports worth more than 11 million marks from Britain. The imports include 5 million marks worth of platinum and its alloys, semi-finished platinum goods, platinum scrap and platinum metals; 2 million marks worth of fine silver, and 1,350,000 marks worth of hand-knitting yarns. The remainder is for foodstuffs.

FINANCE

Tax Relief in Norway: Certain reliefs in State income-tax and in the State tax on companies' funds will be proposed in the coming session of the Norwegian Parliament. The Government, according to Crown Prince Oslav, regards as its most important economic tasks the maintenance of full employment, reduction of the deficit in the foreign trade balance, and keeping a stable level of prices and wages.

Turkish Bank Reform: Chiefly in order to encourage savings and increase security, the Turkish Government is preparing a reform of the country's banking system. A Bill modifying the 1936 regime and based on Swiss, American and German practices is being introduced in the National Assembly. It proposes a union of all banks established in the country to increase collaboration, minimum capital requirements, the limitation of credits in proportion to a bank's capital and "solid guarantees" for saving deposits.

Special Commission of Enquiry For Travancore-Cochin Banks: The Government of India has appointed a Special Commission, under the Chairmanship of Mr. K. Ramunni Menon, former Chief Secretary to the Madras Government to conduct a comprehensive inquiry into the problems of the banks in the Travancore-Cochin State. This decision has been taken in pursuance of the recommendations of the Bank Award Commission which had suggested that such a Commission should be appointed with wide powers to examine

the financial position of banks incorporated in the Travancore-Cochin State in relation to its economy, suggest measures for their integration and make recommendations in regard to the terms and conditions of service of their employees.

GENERAL

Survey on Pattern of Tourism: More than half of the tourists to India come in organised parties or groups, a recent survey has revealed. Tourists in family groups come mainly from the U.S.A. and the U.K. Single tourists are predominantly male, while in family groups the sexes are almost equal. The survey, which was undertaken to assess the pattern of tourism in India, showed that 80 per cent of the tourists came to the country with the primary object of holidaying, pilgrimage, mountaineering and sports and hunting. Many, of course, combined business with sight-seeing and holidaying. By and large, they belonged to the class of business men, Government employees and the liberal professions such as teachers and lawyers. The average duration of stay of a tourist in India was 25.82 days, though in over 67 per cent of the cases the period of stay was less than 15 days.

Technical and Vocational Training: There were 9,343 trainees on the roll of various Training Institutes at the end of November, 1955. Of these 7,611 were receiving training in technical trades. The number of displaced persons undergoing training at the end of November, 1955, was 2,122. Those receiving training in technical trades like electrician, moulder, machinist, welder, etc., were 1,761 and the remaining in vocational trades like weaving, basket making, calico printing, etc. Displaced persons undergoing training as apprentices in industrial undertakings or establishments numbered 1,010 against 1,400 sanctioned seats. Women trainees at the end of November, 1955, at the three Women's Training Institutes in New Delhi, Dehra Dun and Madras were 482.

Development of Cottage Industries in Community Project Areas: A nearly three-fold increase in the employment potential of the cottage and small-scale industries in the Community Project areas is contemplated in a scheme approved by the Community Projects Administration for operation in certain selected areas. To begin with, work will be started for intensive development of cottage and small-scale industries in 26 pilot projects in different parts of the country.

Employment Situation in 1955: The employment situation during November, 1955, showed signs of improvement as the number of registered unemployed at the end of the month declined 6,81,164 from 6,95,239 in the previous month. The number of placements during the month was 14,856 as against 13,461 during October, 1955. Of the placements secured, 6,210 were under Central Government Departments, 4,971 under State Government Departments and 3,675 in non-Government establishments. The number of employers that utilised the services of the Exchanges during November was 4,835 as against 4,599 during October.

Extent of Unemployment Among Engineers: A sample survey to assess the extent of unemployment among the job-seeking engineers was conducted by the Directorate-General of Resettlement and Employment, Government of India, during October, 1955. Out of the 1,480 engineering graduates and diploma holders, who were registered with the Exchanges during the period, the survey was conducted among 245. Of those contacted, 126 or 51 per cent were placed in jobs during the period and the remaining 119 or 49 per cent were still unemployed. Out of the unemployed 88 or 74 per cent were seeking jobs for the first time and the remaining had been employed before.

NEWS IN BRIEF

INDIAN

The Government of India on January 19, announced its decision to nationalise life insurance with immediate effect. The President has, accordingly, promulgated the Life Insurance (Emergency Provisions) Ordinance, 1956, vesting in the Government the management of both indigenous and foreign life insurance business in the country and the foreign business of Indian insurers.

In the recent incidents in Bombay, damage through arson, stone-throwing and other causes to both municipal and private property is estimated to be about a crore of rupees.

The Government of India has decided to ban the export of husked rice outside India with immediate effect.

Dispatches of jute goods from mills in December 1955 rose to 95,296 tons from 88,184 tons in the previous month.

Timber exports from Jammu and Kashmir to India have registered a sharp rise in recent months. In 1955, the exports of timber amounted to 17,68,545 cubic feet as against 11,13,399 cubic feet in 1954.

American wheat—9,500 long tons—landed in Bombay on January 16 as part of the U.S. Government's 20,000-ton programme of distribution of food to flood victims in the country.

The PEPSU Government has set up a committee to deal with the difficulties which the State Government is likely to face in the change-over to the metric system as proposed by the Centre.

The Transport Advisory Council meeting in New Delhi on February 6 and 7 will discuss proposals for the prevention of encroachment on national highways. A Bill to this effect is also expected to be introduced in Parliament during its next session.

Three more tours of Community Projects and Training Centres in India by study teams from other countries have been sponsored by the U.N. Technical Assistance Board. They include a party of six from Middle East countries, a party of seven from the Arab countries and a delegation of Iraqi officials.

The United States Government has sent as gift to the Government of India a certain quantity of Gamma Globulin to be used as prophylactic inoculation against Virus Hepatitis (jaundice).

The Indian delegation to the meeting of the Commonwealth Advisory Committee on Defence Science being held in Canada from 6th to 23rd February, 1956, will be led by Dr. D. S. Kothari, Scientific Adviser to the Ministry of Defence and will include Major-General S. D. Verma, Master-General of the Ordnance, and other senior scientists from the Defence Science Organisation.

The need for adequate propaganda in schools and other educational institutions on the value of preservation of wild life was stressed by Dr. Panjabrao Deshmukh, Union Minister for Agriculture, in a message to the Executive Committee of the Indian Board for Wild Life which began a three-day meeting in Sasan, Saurashtra, on January 18.

FOREIGN

About 30 leading German industrialists are leaving Berlin next month for two extensive goodwill trade tours of Central America and the Far East.

An Australian trade mission of more than twenty business men flew to New Zealand last week to explore the possibilities of increasing sales of Australian manufactures.

A Yugoslav delegation is expected to leave soon for Moscow to negotiate two agreements—one for a Soviet credit to pay for Yugoslav purchases of raw materials in the Soviet Union, the other for a Soviet loan to Yugoslavia in foreign exchange or gold.

The Czechoslovak Foreign Minister, Mr. Vaclav David, said recently that financial and trade talks with Britain, broken off in 1954, would be resumed shortly.

Col. H. W. Mulligan, Deputy Director of the Wellcome Research Laboratories at Beckenham, Kent, has been seconded by the Wellcome Foundation to assist Lieut.-General Sir Bennet Hance, who is in Ceylon to advise the Ceylonese Government on its medical and public health services.

The chairman of Britain's Dollar Exports Council, Sir William Rootes, is leading a new investigation at top level into the United Kingdom's dollar trade with both the United States and Canada.

Mr. A. R. W. Low, U.K. Minister of State, Board of Trade, has been visiting Canada this week to attend the joint meeting of the Dollar Exports Council and the Dollar-Sterling Trade Council.

The fourth International Conference of the General Agreement on Tariffs and Trade (GATT) opened in Geneva on January 19. It is attended by 26 of the world's major trading countries.

The U.S. officials made their first face-to-face appeal to Congressmen on January 18 to put foreign aid on a long-range basis by pointing to the 10-year project of the high Aswan Dam in Egypt as an example of where advance U.S. aid intentions would be helpful.

The Jordanian Government has proposed a meeting of Foreign Ministers of all Arab States to discuss Arab financial aid to the country.

The Afghan Government has entered into an agreement with a Czech firm providing for the establishment of an advisory office on industrial matters by the firm in Afghanistan. The agreement was signed in Kabul on January 9, 1956.

President Eisenhower told Congress in his budget message on January 15, that his administration proposed to spend \$1,200 million on existing economic aid programme in the fiscal year ending June 1957 and \$590 million on new programmes.

The U.N. Technical Assistance Board has appointed, as its representative in Yugoslavia, Mr. J. Richard Symonds (U.K.) who has taken up his post in Belgrade. Mr. Symonds had been its representative in Ceylon and liaison officer with the Colombo Plan since 1954.



Helping to bring
men of good will
in 84 lands
closer together

PAA offers the only Round-the-World Service

World's Most
Experienced Airline

PAA
PAN AMERICAN

PAA 290

Special Article

FROM WEALTH TO CAPITAL COEFFICIENTS—II

By
COLIN CLARK

[This is the second of a series of four exclusive articles on Capital Coefficients written for "The Eastern Economist" by Mr. Colin Clark, Director, Agricultural Research Institute, Oxford University. The first article appeared in the issue dated January 20, 1956.—Ed.]

ONE of Lord Keynes's favourite devices, when lecturing at Cambridge, was to ask an audience of advanced students each to write down in his own notebook what he thought the average capital coefficient was, or, as Keynes put it more dramatically, if the entire stock of national capital were destroyed, how many years' net national product would have to be set aside in order to replace it in equally serviceable form? And the students used to write down figures of ten years, twenty years, thirty years or even higher; and many men of affairs if asked to give a quick answer to the same problem, and working on a misleading analogy of the ratio between capital and profits in an individual business, might also give a similar answer. We now know that, in fact, the figure is very much lower. Suppose for a moment that the ratio were ten. That would mean that the entire year's net national product would only suffice to pay 10 per cent interest on the national capital. But we know that in fact a big proportion of the net national product goes to labour (using the word in its broad sense, so as to include salaried labour, and the labour of independent working proprietors) and does not go to capital at all. In western countries this proportion may now be 75 per cent or more, although it is generally lower in the East. A generally accepted figure of the capital coefficient in western countries is 4. This means that a national capital of 400 is used in producing a net national product of 100 per annum, out of which labour takes 75, leaving 25 for the net remuneration of capital, and enterprise, or an average return on capital of 6¼ per cent. This is not meant as a precise calculation but does serve to illustrate the orders of magnitude now to be expected in western countries.

The present writer has been responsible, to a considerable degree, for helping to disseminate the figure of 4, based on the best evidence so far available, as the sort of capital coefficient to be generally expected in most countries. This figure has been discussed considerably in India, as a criterion for judging the economic value of public works and other projects which cannot be tested on the basis of their expected direct financial return—namely, whether 4 rupees' worth of investment in a particular project may be expected, in the long run, permanently to raise net national product by 1 rupee per annum (this latter figure including the remuneration of labour as well as the direct return to capital).

More recent and better information now indicates that, at any rate in certain important cases, the figure of 4 has been considerably too high. We do not yet know enough safely to apply the figures derived from one country to a different country. But the indications are that the figure of 4 can probably be regarded as a maximum, and that any revisions are likely to be in a downward direction. This enables us to be much more optimistic about the possible rates of economic growth in countries with limited supplies of capital; or, alternatively, to regard the investment of capital by the wealthier countries in the poorer countries as a less urgent issue than we used to.

However, many people still firmly believe that the capital coefficient is higher, not lower than 4. An Italian statistician recently estimated that the capital coefficient for his country was 7, and so far nobody appears to have strongly controverted him. Many of the figures published, until recently, for Britain and France indicated capital coefficients of about 6.

If you believe that the figures are so high, or anything like so high as that, you will naturally regard the accumulation of capital as by far the most urgent task which confronts any country; whereas if you believe that the ratio is lower, you will probably take a more balanced view, and while regarding the accumulation of capital as important, will not necessarily treat it as the whole key to economic success.

It is remarkable that two influential organs of opinion in Britain seem to have accepted the former view, the supposed need for high and exceptional capital accumulation, namely, the Labour Party and "The Economist". What Britain needs to assure its economic future, they say, almost in so many words, is a greatly increased rate of capital accumulation, whether in public or in private hands. "The Economist" has been telling its readers that the United States and the Soviet Union are economies predominantly concerned with the accumulation of capital (this is not entirely true in either case) and that Britain should follow their example and become more "capitalistic" in outlook. It is still more remarkable to find this point of view accepted by the Labour Party, now become, in a certain sense of the words, the party with the most capitalistic outlook of all, constantly complaining because a Conservative Chancellor of the Exchequer allows money to be paid out in dividends, when they would rather see it re-invested. This excessive preoccupation with capital accumulation is not merely erroneous in itself; it serves to distract attention away from some of the most important hindrances to further economic development in Britain, particularly the excessive rates of taxation now prevailing.

This estimate of an excessively high figure for the capital coefficient, and corresponding over-preoccupation with the need to accumulate capital (or to borrow it from other countries), probably arose in the first place out of two factors; first erroneous methods of statistical measurement and secondly, the confusion of capital with land.

In one sense of the words, if we define capital as physical goods which can be used for the purpose of production, then in that sense land is a form of capital. It certainly belongs to the category of "real capital" rather than merely "money claims". But it suits our purpose better to sub-divide real capital into "reproducible wealth" (building, equipment, stocks of goods etc.) and "non-reproducible wealth" which is found (when we confine ourselves to real wealth rather than to money claims) to consist of agricultural land, sites whose geographical location gives them value as urban

land, and minerals. (Forests are a borderline case which can be reproduced but only very slowly.)

Our reasons for excluding land are two-fold. In the first place, while its economic importance is undoubted, nevertheless the value of land, unlike that of other capital, does not primarily depend on the amount of effort which has gone into improving it, or the care with which it has been maintained. The second reason, more cogent practically, is that values of land are found to be subject to very violent ups and downs, which makes it very difficult to measure it statistically, or to estimate its trend. When you have a piece of land whose rent remains quite unchanged from year to year, nevertheless changes in the rate of interest, which occur quite frequently, always involve a proportionate alteration in the capital value which you put upon the land. And the annual rent obtainable from agricultural land is not fixed by any means. It depends largely on the density of the rural population, and the extent of the alternative employment open to them. In western countries, as industrialization has proceeded, the ratio of rural land rents to the total produce of agriculture has heavily declined, just by the normal operation of the free market, quite apart from countries (such as Britain and Japan) where agricultural rents have been the subject of governmental regulation.

So, if India's programme of industrialization is successful, one of the effects will be to reduce the rent of agricultural land, at any rate rent expressed as a proportion of total product. Unless the Indian Government and banking system pursue a policy of very low

interest rates (a possible but not at all a likely contingency) then the capital value of land will probably decline relative to other capital values.

Economists are familiar with the idea of rising and falling rural land values, but it is a rather more novel concept that urban site values may also be subject to similar growth and erosion. Some investors tend to think of urban site values as more or less permanently a good investment. "Safe as houses" was a favourite motto among Victorian financiers; but it is rather a mockery now. In Britain, urban site values, in relation to other capital values, rose to a maximum in the 1890's, and since then have been declining. In the United States, the turn came later, about the 1920's, but the subsequent decline appears to have been more rapid. Rates of population growth have something to do with it. A rapidly increasing urban population, whether in New York or in Calcutta, tends to raise site values. But these site values are reduced by improvements in urban transport, starting with the tramcar which began in the 1890's.

We may therefore take note of these interesting possible tendencies, both in agricultural and urban land values, but, for the reasons given, leave them out of consideration when we are measuring national capital. We will also omit household furniture and similar personal possessions, although it is convenient to treat houses themselves (which are more frequently bought and sold and leased than furniture) as part of the national capital.

THE RAMAYANA OF TULSIDAS IN ENGLISH VERSE

LATEST "HINDUSTAN TIMES" PUBLICATION

The famous Hindi epic regarded by many as "the greatest book in all devotional literature" is for the first time now available in English verse.

The translator, the Rev. A. G. Atkins, completed the book after ten years of devoted work. He has tried "to keep and express in English in the fine rhythm and music of the original in simple lucid language, and with as much of the vivacity, wittiness and picturesqueness that Tulsidas has put into his work." He has also followed in some measure Tulsidas's metrical variations such as *chhand*, *chaupal*, *doha* and *seratha*.

In a foreword Mr C. Rajagopalachari says: "Mr Atkins' monumental work and his Introduction are a revelation of hope for those who desire to see all the great religions of mankind come together. . . . His service is not only to English-speaking people but also to that very large number of Hindus in India who do not speak the Hindi language and to whom English has become a very familiar medium."

The book is of special value to libraries, scholars and devotees of Tulsidas.

It has been issued in the following four editions:

- I. Original text of Tulsidas with translation in English verse; three volumes; 1468 pages; price Rs. 50 net.
- II. Translation in English verse; without Hindi text, two volume; 898 pages; price Rs. 40 net.
- III. Special tissue paper edition of I, one volume, price Rs. 100 net.
- IV. Special tissue paper edition of II, one volume, price Rs. 100 net.

POSTAGE EXTRA

The Manager,

THE HINDUSTAN TIMES,
NEW DELHI.

WHEN BUYING INSIST ON FAMOUS CENTURY FABRICS

Specialities

"PARAMSUKH" DHOTIES :	COTTON WASTE BLANKETS
"LAKES BEAUTY" MULLS :	UMBRELLA & TAFETTA CLOTH
DYED & BLEACHED MOTI VOIL :	DYED VENETIANS
STRIPPED POPLINS :	GREY SHEETINGS
LONG CLOTH :	DYED & BLEACHED TOWELS
GREY & BLEACHED SAREES :	CHECK SHIRTINGS

MULTI COLOURED PRINTED CHINTS, MULLS, CREPES ETC.
IN ORIGINAL DESIGNS

The Century Spg. & Mfg. Co., Ltd.,

INDUSTRY HOUSE, 159, CHURCHGATE RECLAMATION
BOMBAY

Managing Agents:

BIRLA BROS. LTD.

A Letter to the Editor

"THE AGE OF THE DIVIDED GOSPEL"

Sir,

Your comment, "The Age of the Divided Gospel," (in your issue of January 6), is a classic example of the myopia that excessive loyalty to property rights breeds. It also shows that your opposition to totalitarianism stems not from its regimentation and dehumanising influence but from the fact that it will replace the vested interests of today by a different variety. To you, fundamental human liberties, such as the right to work and to go on strike, the right of free expression and assembly, etc., are nothing compared to property rights which affect, not at all vitally, a microscopic minority of the people. Will you please explain why in a democracy like ours company unions are so numerous and powerful, why collective bargaining is frowned upon, why intelligence agents (C.I.D. men) still function as members of opposition political parties (an old British practice), why correspondence of individuals critical of the regime is censored, why the ruling party is indistinguishable from the Government and why blatant party propaganda is carried on by official organs of publicity like All India Radio? In what way are these different from conditions obtaining in totalitarian countries?

When the P.S.P., conscious of its dual role as an instrument of socialism and as a corrective to the totalitarian tendencies in the country today, stresses the need for a vigilant opposition, instead of appreciating it, you pooh-pooh it notwithstanding your championship of democracy elsewhere, and ask whether it was the fault of the Congress that there was no strong opposition in the country today. Was it the fault of Hitler that German Social Democrats remained silent spectators to the fall of the Weimar Republic? Was it Stalin's fault that no opposition could rise in Russia on the ashes of the Mensheviks? Nearer home, it is a democratic virtue of the Prime Minister that he subverts, instead of facing, opposition?

As for the Gaya Conference of the P.S.P., it was not supposed to bring back Jayaprakash to the helm of

party affairs or cure Acharya Narendra Deva of his chronic asthma. Its purpose was to give the party a comprehensive ideology, an ideology which would obviate dependence on a few leaders who could not see eye to eye with one another. And this purpose it had admirably served. Acharya Narendra Deva may be too ill to provide active guidance to the party but his views, which are embodied in the new policy statement, will inspire the party to move forward. This way the Gaya Conference was a landmark in the history of the Indian socialist movement.

Last, but not least, the Gaya Conference has proved to the hilt that Dr. Lohia's revolt was motivated by personal ambition and nothing else. At the Hyderabad Conference of Lohiaites, wherein you see a transformation from Philip drunk to Philip sober, there was no effort to build up an ideology. Besides the buffoonery of a seven-year leap to power, there was much abuse of others and indulgence in airy verbiage. While the P.S.P. minus Lohia is able to develop an ideology and a programme, the doctor remains what he has been, a self-centred individual, full of froth which will foam away much before seven years.

Yours faithfully,
G. S. BHARGAVA

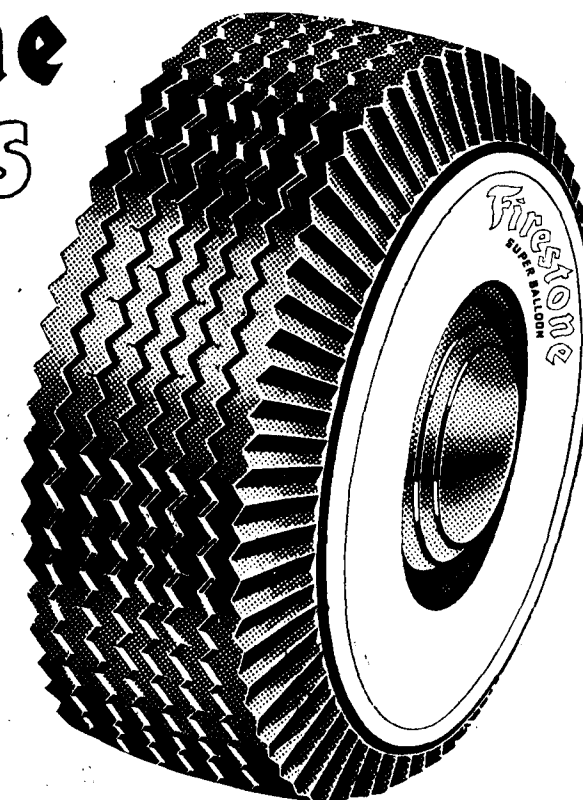
Karolbagh,
NEW DELHI-5.

[We publish this letter in order to let the readers judge its worth. "The Eastern Economist" has never lagged behind anyone in exposing infringements of our liberties, whenever they were felt to be real, not when they were merely imagined for purposes of political opposition. The gravamen of our criticism was that the Socialists have revealed no concrete or constructive alternatives and have, on the whole, become indistinguishable from the party which they have professed to oppose all the time. They, more than others, have compromised with the means whenever they have agreed with the ends.—Ed.]

Get Extra Protection Against Blowouts and Punctures at No Extra Cost!

WITH Firestone TUBELESS TYRES

With no tube to pinch or blow-out, this tyre gives protection beyond compare. If a nail should penetrate this tyre, the Safety-liner hugs it and prevents immediate loss of air, enabling you to continue driving. Think what these advantages mean in increased safety, extra protection! Built with Safety-Tensioned Gum-Dipped cords for greater strength and longer mileage, they give you full value for every anna of your tyre money. Yet this tyre, with all its features, costs no more than an ordinary tyre and tube. See your Firestone dealer—insist on Firestone Tubeless!



These tyres are so good that many Automobile Manufacturers are now fitting them as standard safety equipment on new car models.

NEW, SAFETY-TENSIONED, SUPER GUM-DIPPED CORD BODY AND TUBELESS CONSTRUCTION GIVES STRONGER BODY—MORE PROTECTION AGAINST BLOW-OUTS AND PUNCTURES.

"BEST TODAY—STILL BETTER TOMORROW!"

M-35

FLY TWA Now and Save

Before fares
go up
on
MARCH 1st

Fly the Finest...

FLY TWA
TRANS WORLD AIRLINES
ASIA • AFRICA • EUROPE • U.S.A.

Saha & Rai Travels Ltd., Hotel Ambassador New Delhi. Reservation & Booking—Phone 45121/7.

Delhi to Hongkong Singapore or Australia



FREQUENT B.O.A.C. FIRST CLASS 'MAJESTIC', 'CORONET'
TOURIST OR QANTAS SERVICES

Consult your local Travel Agent or B.O.A.C., Speedbird House, Service Road,
Connaught Place, New Delhi. Telephone: 43978, 44234, 45085 and 47356.

FLY BY B.O.A.C. AND QANTAS

BRITISH OVERSEAS AIRWAYS CORPORATION WITH QANTAS EMPIRE AIRWAYS LIMITED

The Business World

BOMBAY—WHAT NEXT?

By
CROESUS

PEACE has just returned to Bombay after almost a week of rioting, loot and arson, the like of which the city had not experienced any time in the past, not even at the time of the Partition or the Naval Mutiny, nor even during the civil disobedience days of that fateful year 1942. The situation is still tense, as the presence of large numbers of policemen patrolling in the disturbed areas clearly indicates. One sees too some discontent still smouldering underneath in the rank and file of the Samyukta Maharashtra protagonists, although many of these have apparently been somewhat sobered down since witnessing the orgy of lawlessness and inhumanity perpetrated by an incensed mob. It was a case of "Mischievous, thou art afoot; take what course thou wilt". For a while, man seemed suddenly to have lost every vestige of humanity and all his nobler instincts appeared dead, making one spontaneously recall the words of Wordsworth, "Have I not reason to lament what man has made of man?"

Thanks to the firm handling of the situation by the Government of Bombay and the no less firm reiteration of its stand by the Congress Working Committee and the Prime Minister, Bombay has again become normal with the same surprising suddenness that characterised the outbreak of riots and mass violence earlier in the week. In the meanwhile untold damage has been done to the cause of Samyukta Maharashtra itself, for the situation that developed has only resulted in alienating even those who sympathised with the demand of the Maharashtrians to include Bombay city in Maharashtra, on the one hand, and in strengthening the resolve of the Government of India and the Congress High Command to stick to their decision to make Bombay a centrally administered area, on the other. This apart, the confidence of many non-Maharashtrians has been terribly shaken, as witness the exodus of large numbers of scared Gujarati women and children from Bombay. All these are besides the avoidable loss of precious and, in many cases innocent human lives—of injured (both public and police) at 675—and the very heavy damage to civic property which included the destruction of 1000 gas lamps, 600 electric lamps, 21 conservancy vehicles and any number of fire hydrants. Several buses and trams were also rendered unserviceable. The damage did not stop with that; it extended to the train services by the senseless destruction of signals and overhead wires. Incoming main-line trains were detained at Kalyan since Thursday till

almost last Sunday. Similarly, postal and telephonic communications also were tampered with, causing serious inconvenience to the public. Surely this is not the way of registering one's disapproval of a decision of the highest authority in the country under any democratic regime.

How will all these end? That is what the Bombay-man is wondering now. While it is out of the question to expect the Congress Working Committee or the Government of India to resile now from their stand, especially in the face of the defiance of the Samyukta Maharashtra party. I am not certain if they will not have to modify their stand, not in view of what has happened but in view of what is likely to happen in the years to come. The Maharashtrians have irrevocably lost their case for a unilingual State, including the Bombay city, but if the Maharashtrian leaders can rise to the situation, they can at least endeavour to have the satisfaction of being part-owners of Bombay in a bilingual State, comprising all parts of Maharashtra, including Vidarbha and Marathawada, and Gujarat, including Saurashtra and Kutch and, of course, Bombay. It is up to them to win over the Gujaratis to such an arrangement which is undoubtedly a Herculean task in view of the terror that has been struck in the community by the recent excesses and indecent behaviour of unruly Maharashtrian mobs. But the latest trend towards merger, as, for instance, of West Bengal and Bihar, is in their favour and they should seize the opportunity. They could do so if, say, they now come forward with an offer to the Gujaratis of a fifty per cent share in every sphere of activity, regardless of any majority that the Maharashtrians might have population-wise. The Gujaratis, in their turn, should accept any such offer, if made by the Maharashtrians and if the latter, at the same time express their regret at what has happened and also give a solemn assurance that there would be no repetition of such ugly incidents as have marred the fair name and reputation not only of Maharashtrians but of every Indian and of this country as well. Obviously any such decision presupposes a much calmer atmosphere than what is prevailing today. All efforts should, therefore, be directed towards helping to hasten the bringing into being of such an atmosphere without any avoidable delay. This is at once a test and a challenge to Maharashtrian leaders and their statesmanship. Will they stand the test and accept the challenge?

TANKER FLEET FOR INDIA

By
CROESUS

THE tentative agreement between the Union Ministry of Transport and a leading shipping company in Bombay to acquire five oil tankers during the second Five-Year Plan period, forming the nucleus of India's first tanker fleet, is an honest attempt at meeting a long-felt need. Though the coastal trade of India was reserved for national bottoms as far back as 1951, India has been in the humiliating position of not having even a single Indian tanker plying on this route. The acquisition of the five tankers will thus mark the first step in breaking the foreign monopoly of the oil tanker trade on the Indian coastline. Indian shipowners had all along been rather hesitant in this regard presumably

as they had no guarantee of availability of cargo all the time.

The question of owning a tanker fleet has added importance now with the installation of two oil refineries at Trombay and a third one coming up at Visakhapatnam. India's requirements of petroleum and its products are estimated at 3½ to 4 million tons a year. It is in the national interests of a country which produces or consumes substantial quantities of oil to have a tanker fleet of its own. Iran learnt this lesson too late, but now it appears that, in its agreement with the consortium companies, provision has been made for building a tanker fleet operating under

the Persian flag. Several other West Asian countries are also evincing keen interest in developing national tanker fleets.

The tanker trade of the world is controlled to a great extent by the major oil companies and the Indian attempt to enter this field may be expected to counter some resistance, especially in the light of the agreements already concluded with the oil companies according to which only tankers owned by the Government of India could be allowed to carry the crude or refined oil. But, with goodwill and understanding on both sides and also by reason of the fact that the tankers are going to be acquired by the Government itself, albeit through the agency of a shipping company, it should not be difficult to prevail upon the major companies involved, and obtain their consent to the employment of tankers to be acquired by the Indian shipping company even for the carriage of crude oil from the oil wells in the Persian Gulf to the refineries. For this purpose, bigger tankers of say 16,000 gross tons will be required and it is very necessary that India should begin to participate in this trade by having at least two large tankers capable of carrying about 20 per cent of the crude oil. As regards the distribution of the products of the refineries along the Indian coast, immediate steps should be taken to provide smaller tankers to carry at least 50 per cent of the cargo. The Indian shipowners are naturally keen to participate in this carriage as the coastal trade is now reserved for national shipping and it is their obligation to carry all cargo offering for carriage on the coast in Indian vessels. While the railways are bound to carry a part of these refined products, the authorities concerned would naturally like to ensure that as large a quantity of these

refined products as possible is carried by the Indian coastal tankers, because the refined products are relatively more suited for movement by sea than by rail.

In this context, the decision of the P and O group to build a substantial fleet of tankers would have been read with interest. A quarter of the world's shipping tonnage today is accounted for by tankers, and half of the tonnage under construction is tanker tonnage. The tanker is also increasingly figuring in the fleets of nations, many of which neither produce oil nor consume it in quantities commensurate with their tanker tonnage. During the post war years there has been an enormous growth in world tanker tonnage, the proportion of tanker tonnage to the total merchant fleet at present being 25 per cent as against only 16.9 per cent in 1939. In fact, compared with 1939, the tanker tonnage, according to Lloyd's figures, has more than doubled from 11,585,549 g.r.t. to 24,624,000 g.r.t. in 1954, the total world tonnage having expanded in the same period from 68,509,432 to 97,422,000. When doubts were expressed in some quarters whether the large undertaking in tankers by the P and O Steam Navigation Company would prove profitable, it was pointed out by competent quarters that the total volume of crude and refined oil to be carried over vast distances was likely to grow and the P and O Directors themselves, in the words of Sir William Currie, their Chairman, "have made a close study of the position, and prospects of oil transport and they have satisfied themselves that the advent into the tanker business of a major British shipping group would be welcomed and on known building programmes should be a timely and profitable enterprise".

PROGRESS OF SUGAR INDUSTRY

THE deliberations at the ninth Congress of the International Society of Sugar Technologists which commenced its session here on Wednesday this week are confined to the technical problems of the industry. This fundamental character of the discussions does not turn the Congress into an exclusive assembly, but it is bound to evoke vital interest in the problems for those concerned with its progress. If the visits paid earlier by the delegates to the Congress to research institutions and sugar factories in this country make some impact on the discussion of the problems affecting the industry in this country, it will surely be a distinct gain.

The two main problems of the industry in India which engage continuous attention of the technical expert are the poor yield and low quality of sugarcane. In the two States of UP and Bihar, which between them account for nearly three-fourths of the crop, the yield is as low as 14 tons per acre. In the South in the States of Bombay, Madras, Andhra and Hyderabad, relative proximity to the tropical zone has given a climatic asset to the crop which is easily seen in the higher yield. The average for the South which is often mentioned as 30 tons per acre does not, however, give a precise idea of the potential increase. The average yield in the delta areas of the composite Madras State has remained stable between 45 and 50 tons, while in the plantation areas of Bombay State it has maintained a level of 35 to 40 tons per acre for the 12-month crop. The "Adsali" crop in this State which takes the duration of 18 months has achieved an average of 55 tons per acre. The potential increases in the country as a whole are capable of being pushed to three times the present yields which would give an average of over 40 tons per acre in UP and Bihar. Certain results achieved in the South indicate the range of potential growths. Crop competitions yielded an output of 129 tons in Madras for the 12-month crop and 125 tons for the 18-month "Adsali" crop in Bombay. Actually, in certain areas of the South an average yield around 60 tons has been recorded.

The issue of yield needs to be tackled only in conjunction with the more difficult problem of quality of cane. Frankly, India has a serious handicap on this count. In the North, the sugar content of cane varies between 11.5 and 13 per cent. In the rest of the country it ranges between 13 and 14 per cent, but in Madras and Andhra it is generally lower at 11.5 per cent. The average for the whole country comes around 12 or 12.5 per cent. Successive researches aiming at a higher quality through increased recovery have revealed that the varieties of cane planted, climate or soil do not by themselves account for the present range of quality. In those specific spheres technological improvements are bound to bring better results. But other vital handicaps, affecting quality are the schedules of harvests, flaws in cultivation techniques and the standard conventionally accepted for payment to the cane grower. A change in the practice of payment from the criterion of weight of cane to the percentage of sugar content will remove preoccupation with methods of cultivation promising higher yield regardless of quality. In this country where the pressure on land sets limits to the cultivation of commercial crops, progressive growth of sugarcane will have to be achieved by evenly balancing efforts for intensive cultivation and higher sugar recovery.

Apart from assimilating the advances in production methods registered in other countries, India continues to devote resources to technological research. Some of the achievements in this sphere found brief mention in the opening address of Mr. D. R. Narang, General Chairman of the Congress. The Saha-Jain process has now reached the stage of commercial trial in one factory, while the Ghosh process of electrical clarification is at present at the pilot-plant stage. The crystallisation technique has been perfected by improving circulation in vacuum-pans and separation of crystals from molasses has been made much more efficient than before with the use of automatic high-speed centrifugals. Similar improvements have been made in the technique of steam generation.

BUSINESS NOTES

COLD WAR IN COTTON!

MORE THAN a fortnight has passed since the much-agitated-for resumption of futures trading in cotton is supposed to have taken effect in Bombay, but, as yet, there has been hardly any trading worth the name. Despite the efforts of the East India Cotton Association to inject some life into the market, an obstacle was placed in the form of a case in the High Court here instituted by a member of the Association who contended that the Association had been coerced into taking the action it did, namely, declaring an emergency under by-law 52 and fixing the ceiling price for hedge contracts for February and May 1956, settlements at Rs. 700 per candy. The case was heard by the Court which rejected the contentions of the plaintiff as entirely untenable and holding that, on the facts of the case, no case had been made out for an interim injunction, dismissed the motion with costs. Owing to the uncertainty surrounding the issue during the pendency of this case in the High Court, there was virtually no trading in futures. Moreover, operators found it difficult to have any trading in the February contract at the new ceiling level of Rs. 700, as, very often, the rates unofficially quoted were higher. And confusion became worse compounded when the City was completely paralysed due to the sudden outbreak of violence, following the Government of India's decision centrally to administer the City.

Thus, due to one reason or other, the state of affairs in the cotton futures market since January 7 was such as to make a mockery of the announcement made on that day allowing the resumption of futures trading. Meanwhile, the cold war between the 'rebel' member of the East India Cotton Association and the Association showed no signs of abatement. For the plaintiff appealed against the High Court's decision dismissing his non-injunction plea. This appeal also was heard on Monday (January 24) and was promptly squashed. But then, it is reported, the party to the dispute has been seriously considering seeking the assistance of the Supreme Court to decide the issue finally. While, even legally, it would appear, the Board of the E.I.C.A. could fix the clearing rates before any decision is made by the Supreme Court, the Board seems to have obliged the dissenting member by reportedly agreeing to have the clearing date further postponed.

Since writing the above, it has come to pass that the parties to the dispute have come to a settlement and the plaintiff has withdrawn his notice of motion against the E.I.C.A. It was also decided to let the Association have the option of declaring the clearing 'at its own judgment'. However, before the Association could do anything about it, the Forward Markets Commission released post-haste a communique directing the closing out of the two contracts with effect from Wednesday (January 25) at their respective closing rates as on the previous day, that is, at Rs. 700 for the February contract and Rs. 688-8 for the May contract. This decision on the part of the Commission was solely unwarranted, inasmuch as the E.I.C.A. was in any case invested with powers to deal with such matters and, what is more, it was given the discretion by the High Court only the previous day to fix the clearing rate. Accordingly, the Commission's action was rather unpalatable to the trade and no trading has followed either in the February or in the May contract, which verily amounts to an indirect suspension of trading. While the confidence of the market is already shaken, it is feared that the squaring-up of the transactions at the levels fixed by the Commission now would result in 'discovering' some defaulters. The amount involved is, estimated at Rs. 80 lakhs. It is strongly hinted in market circles that the same party who took up cudgels

against the E.I.C.A. will now move against the Commission's directive.

DEVELOPMENT OF SERICULTURE

THE PROCEEDINGS of the last conference on the sericulture industry held recently in Mysore State only serve to underline the tardy progress made in consolidating its strength and organization. The difficulties of the small operator have been accentuated since the last year by the decline in prices and in the light of this set-back it was only to be expected that stress would be laid on measures of financial relief. Two resolutions adopted at the conference disclose the pre-occupation of sericulturists with this problem. One of the resolutions pressed for exemption of Charkha silk and cocoons from the sales tax and the other pleaded for exemption of mulberry cultivators from liability to pay agricultural income-tax.

The demand for these reliefs highlights the long-term organizational problem of the industry. Palliatives may serve as stop-gap devices offering help in current troubles, but comprehensive remedies are clearly indicated to restore vitality to this small-scale industry. Unless its organization is firmly put on a co-operative basis its chronic tendency to languish cannot be arrested. Mr. V. Nanjappa, President of the Central Silk Board and Textile Commissioner, explained at the conference how sericulturists could emulate the co-operative pattern which has imparted strength to the industry in Japan. Sericulture has a higher priority for developmental outlay than several other small-scale industries in view of its export potential and as a direct result of the special emphasis to be placed on the development of small industries in the second Plan it has claimed an enlarged share of outlay. The development schemes prepared by the Central Silk Board for the next Plan period involve expenditure of the order of Rs. 4 to 5 crores. These schemes are intended mainly to increase the yield of mulberry crop per acre by adoption of improved and scientific methods of cultivation and to reduce production costs. The establishment of a research centre has already been sanctioned at Channarayana and Rs. 22 lakhs have been provided for its requirements in the ratios of Rs. 14 lakhs by the Mysore Government and Rs. 8 lakhs by the Board. Training of young persons with a hereditary tradition of the occupation is now proceeding on an ad hoc basis by means of scholarships available at home or abroad, but the Mysore State Government's proposal to start a regular training school is likely to find acceptance with the Board. These broad lines of modernisation are calculated to revitalise the industry on a competitive basis.

MORE JUTE LOOMS UNSEALED

THE DECISION of the IJMA to unseal a second batch of 5 per cent of the total looms of its member mills was not altogether unexpected. But the announcement has come earlier than jute circles believed. It will be recalled that when the policy of releasing looms from the ban was enunciated about two weeks ago, with unsealing 2½ per cent of the total loomage, the IJMA had adopted a firm attitude and resisted all pressure, then exerted by speculative elements, to lift the ban on the 12½ per cent sealed looms at once. The factor which influenced the IJMA's decision was not that it took a very conservative view of the raw jute supply position but it deliberately chose to adopt a cautious policy.

The present decision to bring 5 per cent more looms back into production from February 20th next was taken on an appraisal of the crop position and production of member mills. The final estimate of the crop for 1955-56 has placed the jute crop at 41.4 lakh

bales in the Indian Union to which needs to be added the Mesta crop estimated approximately at 5 lakhs. This brings the combined raw fibre supply to 46.1 lakh bales. The crop in the premier producing country, Pakistan, is estimated at 56 lakh bales and considering the fact that it is exceptionally good this year, estimate will in all probability prove to be cautious and the actual volume may rise as high as 60 lakh bales. There has usually been a positive element of underestimation in Pakistan in the jute crop forecasts. The total supply in the two countries, therefore, will be 102 lakh bales and will very likely move up to 106 lakh bales. Against this should be set world consumption of the order of 100 lakh bales. Making allowance for the lags in transport facilities and middlemen's choice to regulate stock releases, the overall supply position will be smooth and without any hindrances. The 5 per cent looms which will be brought into commission in the third week of February are expected to increase monthly production by anything between 4,000 and 5,000 tons. About 33 per cent of it will be hessian and most of the balance will be absorbed by sacking. It is too soon to say when the remainder of the 5 per cent immobilised looms will be released for production.

INTERNATIONAL FINANCE CORPORATION

THE INTERNATIONAL FINANCE CORPORATION, whose charter was recently drawn up by the World Bank pursuant to the directive of the UN Social and Economic Council, will enter the field of industrial banking in the immediate future. The Corporation maintains its distinct entity which is not affected in any sense by the fact that the World Bank prepared its charter and a precondition is attached to its formation to the effect that at least thirty countries who are also members of the World Bank must accept the Corporation's membership, subscribing between themselves a minimum capital of \$75 million. Incidentally, the subscription of each member country to the Corporation's share capital is based on its subscription to the World Bank. Out of the requisite minimum number of thirty countries, nine including the US and UK, have already deposited their Instruments of Acceptance of the Corporation and thirty eight other member countries, of which India is one, have very nearly finalised the formalities for this purpose. The nine countries are to subscribe over three-quarters of the minimum capital equivalent to \$56.8 million.

The distinctive feature of the Corporation—to provide capital for private investment in underdeveloped countries without the guarantee of their governments as to payment of interest and capital—promises to make it an effective and expeditious complement to the World Bank with a special sphere of its own functions. Its primary purpose will ensure that, where a project or enterprise is sound in all respects but adequate investment capital is not available on reasonable terms, it will undertake the investment in collaboration with private enterprise in such countries. The experience and skill of its executives will be placed at the disposal of private enterprises in backward countries to import foreign capital and skilled management as well as technical assistance. This combined channel of international and domestic private capital will be directed towards promoting productive enterprises in conformity with the economic policy of the beneficiary country and there is an obligation that the Corporation will refrain from assisting any specified project to which the government of the country takes exception.

PROTECTION FOR CALCIUM CARBIDE

THE CLAIM of the calcium carbide industry for protection has come up before the Tariff Commission. Being a basic heavy chemical industry, its importance was recognised as far back as 1940, when the Government of India announced its decision to promote its growth.

Although technically there are three units in the country, the Birla Jute Manufacturing Company with an annual rated capacity of 3,300 tons is the only plant which is being operated on anything like a commercial scale. The total annual rated capacity of all the three units is 5,050 tons, while then aggregate production was only 1,605 tons in January-June, 1955. With many expansion programmes and new production schemes, especially heavy machinery manufacture under way, however, the demand for and the output of calcium carbide is likely to increase considerably in the next few years.

In view of the initial difficulties which the industry has been surmounting, it will be some time before its position as regards quality and costs is strengthened. But it should be added here that since there is no Indian standard, the quality has to be judged only by the British standard. It has been found to be rather difficult to make a product conforming in all respects to the British standard on account of the inferior quality of the available raw materials. As a result, two deficiencies are particularly noticeable in the indigenous product, namely lower gas yield and impurities of phosphorous compounds.

The factors that normally affect the cost of production are the quality and price of raw materials, namely, limestone, coke and charcoal, as also the cost of electrical energy. It has been represented that the manufacturers face several handicaps, including those in respect of cost of raw materials and electrical energy, size of operation, and freight rates. The industry has pressed a claim for an ad valorem duty of 120 per cent.

INDIAN ALUMINIUM'S NEW ISSUE

THE INDIAN ALUMINIUM COMPANY, the premier producer of aluminium in this country, has come in the capital market with its issue of additional capital of Rs. 3 crores. The technique of raising the fresh capital, though it is quite familiar in Western countries, brings to India an attractive source of investment. The new capital is to be issued in the form of convertible notes carrying a fixed rate of interest with an option to the holder to get them converted into ordinary shares of the company. The investor is thus ensured of a sound investment with a fixed return and he retains the choice to invest in shares either for higher return in the shape of dividend or for capital appreciation.

This new issue of Rs. 3 crores will go to provide part of the additional funds required for the company's aluminium smelter to be set up at Hirakud in Orissa with an annual production capacity of 10,000 tons. The company's total capacity will thus be raised by 200 per cent to 15,000 tons per year. The Canadian majority shareholder of the company, Aluminium Limited, has agreed in principle to take half of the new issue and the other half will be offered to the company's other shareholders and the Indian public. The new smelter is expected to be put into commission in 1958.

BALMER LAWRIE AND CO., LTD.

SOME PUBLICITY has recently been given to the change in ownership of a substantial block of shares in Balmer Lawrie & Co., Ltd. It has been correctly reported that these shares have been sold by Alex Lawrie & Co., Ltd., to the Indo-Burma Petroleum Co., Ltd., and that they represent 25 per cent of the share capital or a little less than half Alex Lawrie's previous holding. It is, however, incorrect to say, as certain papers have done, that IBP have been given the option to purchase the balance of Alex Lawrie's holding in five years' time. No such option exists and the only condition of sale is the no unusual one in a transaction of this kind which provides that neither party will sell either the whole or part of their holding in the Company without giving the other the option to purchase. There would thus appear to be no ground for the belief that a change in the controlling interest of Balmer Lawrie's after five years is likely to take place.

COMPANY AFFAIRS

THE BANK OF INDIA LTD.

The Profit of the Bank of India Limited for the year ended December 31, 1955, subject to audit, including the sum of Rs. 9,10,851 brought forward amounts to		Rs. 94,01,630
Provision for Income-Tax and Super-Tax will absorb	"	25,00,000
Interim dividend at the rate of 6 per cent free of Income-Tax for the half-year ended June 30, 1955, absorbed	"	15,00,000
The balance available for distribution is Rs. 54,01,630		
The Directors propose to pay a final dividend at the rate of 10 per cent free of Income-Tax making 16 per cent for the year	"	25,00,000
To place to the Bank's Landed Property A/C	"	3,00,000
And to Carry Forward, subject to the payment of a bonus to the Staff	"	26,01,630
		Rs. 95,01,630

TATA CHEMICALS LTD.

The Sixteenth Annual Report of the Directors of the Company together with the statement of accounts for the year ended June 30, 1955 shows that		
	Previous Year	
The Profit for the year, after providing for Managing Agents' Commission and depreciation, amounts to	Rs. 13,55,026	Rs. 12,28,181
Adding last year's carry forward	57,571	29,390
The total profit available for disposal amounts to	14,12,597	12,57,571
From which the Directors have made the following appropriations:		
To provision for Bad and Doubtful Debts	5,000	Nil
To Dividend Reserve	13,50,000	12,00,000
Leaving	Rs. 57,597	Rs. 57,571

The Directors recommend the following dividend for the year ended June 30, 1955, to be paid from the Dividend reserve:

A Dividend on Preference Shares at 5 per cent for the period 1-1-1951 to 30-6-1955 Rs. 13,49,325

Although both production and sales were substantially higher, the profits for the year under review, subject to depreciation, were lower by Rs. 5½ lakhs than in the previous year. This was mainly due to the reduction of Rs. 50 per ton which had to be made in November last year in the prices of soda ash and caustic soda. This affected revenues for the year by approximately Rs. 15 lakhs. An additional factor was the necessity, caused by the heavy drop in salt production in 1953-54 to purchase substantial quantities of salt from the market in order to ensure uninterrupted operation of the soda ash plant at higher outputs.

The output of soda ash averaged 123 tons per day as compared to 107 tons in the previous year. The rated capacity of 140 tons per day was achieved and even exceeded for limited periods on several occasions.

The production of sodium bicarbonate increased by 60 per cent and a proposal to raise the rated capacity of this plant by 50 per cent has been sanctioned by Government.

The output of caustic soda was maintained at substantially the same level as in the previous year. Sales had to be continued at uneconomic prices, particularly in respect of caustic soda produced by the conversion

of soda ash which accounts for the bulk of the manufacture of the product of this Company.

In the field of bromides, covered by such products as potassium bromide, sodium bromide and ammonium bromide, which have uses in pharmacy and photography, the total output showed a rise of 46 per cent.

A detailed expansion programme has been formulated and approved by the Board and is estimated to cost approximately Rs. 224 lakhs spread over the next four or five years.

Labour-management relations continued to be satisfactory during the year. After prolonged negotiations, a new agreement was reached with the Mithapur Kamgar Union effective retrospectively from July 1, 1954, covering revision of dearness allowances, holidays, sick leave and casual leave at an estimated additional total cost of Rs. 2.2 lakhs per year.

THE INDIAN OVERSEAS BANK LTD.,

The net profit of the Indian Overseas Bank Ltd., subject to audit, for the year ended December 31, 1955, after providing for contingencies and expenses, amounts to Rs. 18,71,564, including the sum of Rs. 2,15,839 brought forward from the previous year's account.

From this sum the Directors have made the following allocations:

Provision for taxation	Rs. 7,50,000
Transfer to Reserve Fund	" 4,00,000
Provision for bonus to staff	" 1,25,000
The Directors have proposed to recommend payment of dividend of 7½ per cent (free of tax)	
To carry forward	" 3,68,265
	" 2,28,299
Rs. 18,71,564	

BALMADIES PLANTATIONS LTD.

The Directors' Report and the Twelfth Audited Balance Sheet and Profit and Loss Account of the Company for the year ended May 31, 1955, shows that The Company's working for the period under

review resulted in a profit of Rs. 74,474 To this has been added a sum of " 34,760

Being the balance brought forward making a total of	" 82,234
The Directors have appropriated to Reserve Fund	" 25,000
Leaving a balance of	" 57,234
Which they recommend be appropriated as follows:	
To pay a dividend of 6 per cent per annum Tax Free on the Preference Shares for the year ended May 31, 1955	" 4,500
To pay a dividend of 15 per cent on the Ordinary Shares	" 30,000
Leaving a balance of	Rs. 22,734

To be carried forward to next year.

The crop harvested and cured during the year under review was 51.35 tons. The last despatch to the curers which will have post-monsoon curing is estimated at 16 cwts. and is shown as stock in the Balance Sheet. This year's crop has been valued at Rs. 2-4 per point, but the Company expects to realise more.

The total crop of 1,044 cwts., including the stock, was harvested at a cost of Rs. 148-3-7 per cwt., a relatively high average due to the shortage of crop. The total expenditure comprises cost of heavy manuring and frequent spray, increase in the wages of the labourers due to the interim award of the Tribunal, labourers' holidays with pay and sickness benefit.

COMMODITY NEWS AND NOTES

NORTH INDIAN TEA OUTPUT

While tea production in North India increased from 513,560,000 lbs. in 1954 to 533,220,000 lbs. last year, exports declined from 361,940,000 to 289,310,000 lbs.

With a few exceptions, exports to all destinations recorded a decline last year. Out of a fall of 72,630,000 lbs. in total exports, the UK alone accounted for 60,370,000 lbs. and imported only 198,300,000 lbs. in the previous year. Shipments to the USA and Canada fell from 23,650,000 lbs. and 12,580,000 lbs. in 1954 to 17,260,000 lbs. and 10,930,000 lbs. respectively. Exports to the Irish Republic at 17,360,000 lbs. showed a fall of 4,220,000 lbs. Egypt was one of the few countries which increased its offtake last year to 10,100,000 lbs. from 6,220,000 lbs. in 1954. Exports to Iran at 2,920,000 lbs. and those to South America at 1,220,000 lbs. were also slightly higher. The fall in exports, coupled with rising production, resulted in a large accumulation of tea in Calcutta totalling 985,155 chests at the end of December, 1955, compared with 568,353 chests at the end of the previous year. At the end of last year, nearly 24,000,000 lbs. less leaf tea were sold on the Calcutta market compared with 1954.

RESTRICTION PLAN FOR NORTH INDIA TEA

The tea regulation scheme proposed by the Calcutta Tea Regulation Committee to control the 1956 crop is likely to be like the 1953 regulation scheme, though no details are yet known.

The previous scheme imposed a percentage cut on each garden on the basis of the best crop of the previous four years. The decision to recommend restriction follows the present slump in Calcutta auction prices, increased stocks in Calcutta warehouses, and the failure to secure a new International Tea Agreement owing to the refusal of Ceylon to restrict output. It is believed that Ceylon may now be more willing but the situation in Calcutta is now so serious that it is felt that measures can no longer be delayed. Total Indian production in 1955 exceeded expectations by about 30 million lbs. largely as a result of favourable weather conditions in Assam. It is now estimated that world over production was about 50 million lbs. Auction prices in Calcutta are now barely covering the cost of production and in the case of some lower quality grades are well below cost production.

COFFEE EXPORT PROMOTION

Possibilities of setting up an export promotion council for Indian Coffee and a system of open auctions on the lines of the tea auctions which will enable foreign importers or their agents to participate directly in the bid at the auctions and other suitable measures to stimulate exports of coffee are being examined by the Commerce Ministry. Present Exports are regulated by closed bids. The Indian Coffee Board sells to Indian exporters in the first instance, who in turn sell to foreign importers. It is also mentioned that the Government might revive the Indian Coffee Market Expansion Board in London for expanding sales in Europe and the U.K. and also introduce quality standardization by liquoring tests. These proposals follow the Indian Coffee Board's draft plan for trebling the present production of coffee to 68,000 tons. The draft plan envisages achievement of the target by 1970.

WORLD PRODUCTION OF RUBBER

While world production of natural rubber fell to 160,000 tons in November, 1955 from 167,500 tons in the previous month, consumption remained unchanged at 162,500 tons, according to the latest figures published by the International Rubber Study group. Over the first 11 months of 1955, world production at 1,687,500

tons exceeded consumption in the same period by 20,000 tons. There was a further increase of synthetic rubber production in November to 100,000 tons, against 97,500 tons in October and 93,703 tons in September. November consumption was estimated at 97,500 tons. Production of synthetic rubber in the first 11 months of the year amounted to 985,000 tons, exceeding consumption by 20,000 tons.

Over 1955 as a whole, imports into Russia and China are respectively put at 20,175 tons and 30,750 tons.

PEPPER EXPORT

Export inquiry for black pepper during the first four months of 1956 is expected to show a sizable increase particularly from U.S.A. and Russia. There is already evidence of increased U.S.A. buying. Shipments to U.S.A. during December last year were in the neighbourhood of 1,000 tons against a mere 200 tons in November. Russia is said to have bought 1,000 tons during November.

Another favourable factor was the general belief among exporters that Indonesia and Sarawak—India's main competitors in the overseas markets—would not be able to offer severe competition during the first four months of 1956 owing to their very low stock position. The present quiet tone in the internal markets was attributed to increased arrivals of the new crop and offtake also seems to be very good. Low prices and the absence of export duty might as well act as a fresh incentive to exports.

WORLD RICE OUTPUT

Early reports from the large rice-producing countries of Asia suggest that production in 1955-56 will equal that of the previous season. In 1954-55 the world rice harvests (excluding the USSR) amounted to some 159.4 million tons, against 166.8 million in the season earlier. World exports, however, during the first nine months of 1955 were somewhat above previous levels. Shipments from Thailand, for instance, showed a recovery, while among Commonwealth countries consignments from India, Pakistan, British Guiana and Australia were also higher, exports from the US and Italy on the other hand, were smaller than in the previous year.

The first official forecast of the rice crop in India—after China the world's second largest producer—puts the acreage there at 5 per cent more than in the 1954-55 season. In Pakistan the size of the crop is now expected to be roughly equal to the previous one while in Indonesia, on the other hand, preliminary indications suggest a reduced output because of the flooding recently in Sumatra and more recently, in Java. The official estimate of Japanese paddy production has, however, been revised upwards to 14.5 million tons, as against an actual outturn of 11.2 million tons for 1954-55. In Burma the crop is unofficially reported to equal that of the previous season and to include a higher proportion of better-quality rice, while the harvest in Thailand is also expected to be a good one. The second crop in Formosa has evidently been excellent and production in the Philippines is officially estimated to be larger than 1954-55. Drought is likely to limit the exportable surplus of South Viet-Nam although some expansion is recorded in Communist North Viet-Nam. The increase in Chinese production during 1955 is stated to have been in the neighbourhood of 5 million tons—output in the 1954-55 season had been 45 million tons, compared with the pre-war average of 49 million tons.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

		Wholesale Prices (General Purposes Index) [†] Year Ended August 1939=100						Security Prices ^{††} (1949-50=100)			
		Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48	..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49	..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50	..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51	..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52	..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53	..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54	..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.4
1954-55	..	339.8	436.2	350.3	377.3	612.4	377.4	90.5	100.7	88.4	113.0
February 1955	..	304.3	436.2	339.5	376.8	558.5	361.4	90.6	100.7	88.2	114.2
March ..	..	297.0	412.8	333.5	376.3	553.3	353.7	90.6	100.7	87.4	115.1
April ..	..	283.6	398.6*	327.8	377.1*	541.2	345.4*	90.5	100.6	87.5	115.1
May ..	..	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9
June ..	..	281.8*	390.4	329.7*	370.0	567.4*	342.5*	90.8	100.6	87.5	113.2
July ..	..	309.7*	408.1*	329.6	370.9*	562.6*	355.6*	90.9	100.7	87.8	117.9
August ..	..	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.8	122.8
September ..	..	313.0	396.1	324.8*	368.8	556.3	353.2	90.9	100.7	87.2	122.8
October ..	..	315.7	403.7*	329.8	371.2	559.3	357.2*	91.0	100.7	87.2	124.6
November ..	..	326.5	418.9*	338.1	373.3	543.3*	365.6*	91.0	101.0	87.7	129.9
December ..	..	323.7*	438.3	346.6	373.0	544.2	368.4	91.0	101.0	87.7	130.6
Week Ending											
10-12-55	..	323.2	428.1	343.4	372.7	542.5	366.0	91.0	101.0	87.8	131.0
17-12-55	..	320.4	440.7	345.9	372.8	542.3*	367.4	91.0	101.0	87.8	131.7
24-12-55	..	325.3*	446.5	350.4	372.6	546.6*	370.9*	91.0	101.0	87.7	130.2
31-12-55	..	327.4	454.7	351.4	373.6	547.5	373.4	91.1	101.1	87.6	128.9
7-1-56	..	331.3	457.2	352.1	375.6	548.7	375.8	91.1	101.1	87.5	126.8

* Average of weeks.

* Revised

† Economic Adviser's Series.

†† Reserve Bank Series.

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS
(August 1939=100)

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100	Ahmedabad July 1927 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936 = 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955 February	329	345	210	128	310	384	361	216	326	137	135	131
March	328	340	207	127	310	377	360	129	321	133	133	130
April	324	340	205	126	311	352	353	130	314	129	129	128
May	320	336	204	122	315	335	351	128	307	131	129	127
June	317	333	211	123	317	347	359	131	311	131	129	130
July	324	340	224	129	325	371	364	136	316	134	134	132
August	325	341	229	134	329	375	364	137	318	136	138	134
September	317	333	224	133	327	373	—	133	322	138	137	132
October	315	331	225	134	334	385	—	—	323	—	—	—
November	314	330	229	136	339	392	—	—	—	—	—	—
December	..	..	..	140	..	..	—	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	21-1-1956			14-1-1956			7-1-1956			31-12-1955		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	96-1	95-2	95-9	95-10	94-9	95-3	96-11	94-11	95-9	94-7	93-3	93-14
Silver (per 100 fine tolas)	178-1	176-4	177-5	176-13	175-0	176-2	176-12	173-2	175-9	173-7	170-15	173-5

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupce Coin	Rupce Securities	Total Assets
1938-39*	182,36	28,28	210,64	44,42	86,95	111,37	52.91	67,11	32,16	210,64
1947-48*	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49*	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62	1,253,86
1949-50*	(5,58)	(—)	(5,58)	—	—	—	—	(90)	—	(5,58)
1950-51*	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1951-52*	1,163,21	17,19	1,180,40	40,02	621,70	661,72	56.31	57,21	468,47	1,180,40
1952-53*	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1953-54*	1,114,84	27,87	1,142,72	40,02	564,40	604,42	52.89	80,22	458,08	1,142,72
1954-55*	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55*	1,197,05	22,98	1,219,17	40,02	648,90	689,31	56.47	102,25	428,61	1,360,17
Average of Fridays										
May 1955	1,324,71	15,14	1,339,85	40,02	661,98	702,00	52.39	104,14	533,71	1,339,85
June	1,324,56	17,97	1,340,03	40,02	652,04	692,06	51.65	104,33	543,65	1,340,03
July	1,306,93	29,34	1,336,28	40,02	646,04	686,06	51.34	105,87	543,65	1,336,28
August	1,249,00	26,50	1,325,50	40,02	633,29	673,29	50.79	108,24	543,69	1,325,50
September	1,290,78	23,49	1,314,27	40,02	668,82	708,84	53.93	110,51	494,93	1,314,27
October	1,303,25	10,97	1,315,39	40,02	632,07	672,08	51.09	110,95	531,18	1,314,22
November	1,327,06	14,27	1,341,33	40,02	642,08	682,09	50.85	109,38	549,84	1,341,32
December	1,350,04	10,13	1,360,17	40,02	662,98	703,00	50.95	108,56	548,61	1,360,17
Week Ending										
16-12-1955	1,350,05	8,09	1,359,04	40,02	657,00	697,02	51.29	108,44	553,58	1,359,04
23-12-1955	1,351,58	7,75	1,359,33	40,02	676,88	716,90	52.74	108,73	533,70	1,359,33
30-12-1955	1,361,98	12,04	1,374,01	40,02	686,88	726,90	52.90	108,44	538,67	1,374,01
6-1-1956	1,385,71	11,60	1,397,36	40,02	691,91	731,93	52.38	106,83	558,55	1,397,30
13-1-1956	1,388,75	13,00	1,401,75	40,02	691,91	731,93	52.22	106,31	563,52	1,401,75

BANKING DEPARTMENT

(Rs. Lakhs)

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14,90		16,19											
1947-48*	3 66,79	16,93	102,47	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,38	90
1948-49*	222,17	6,62	80,53	34,21	520,40	14,55	544,96	47,24	2,62	408,95	1,57	21	81,53	4,85
	(14,33)	(3,04)		56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
1949-50*	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	(1)			
1950-51*	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	3,35	8,39	960,54	4,34
1951-52*	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	2,37	6,77	76,72	5,06
1952-53*	186,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	5,90	19,42	95,19	11,91
1953-54*	103,44	23,40	46,62	57,45	232,80	23,91	266,72	23,22	9,46	123,31	2,85	19,03	89,77	12,83
1954-55*	89,13	20,66	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,78	19,84	81,58	7,51
											1,14	26,55	80,52	9,82
<i>Average of Fridays</i>														
February 1955	51,26	16,81	50,78	34,15	152,99	26,13	189,13	12,72	2,71	68,78	1,08	21,98	67,22	14,69
March	58,81	37,71	47,51	21,84	165,87	29,58	205,45	12,54	8,59	70,73	95	42,26	51,67	21,03
April	56,47	36,38	47,74	22,05	162,55	32,79	205,34	18,59	11,98	69,30	51	36,73	45,26	22,92
May	52,9	17,90	48,89	22,08	141,84	38,25	190,08	15,28	11,46	51,97	80	40,22	41,51	28,76
June	55,64	12,33	50,02	21,89	139,88	43,80	194,44	18,10	12,78	63,67	100	28,61	39,55	29,98
July	76,93	17,83	50,62	19,03	164,40	32,13	206,52	29,47	9,53	69,84	88	32,44	58,34	6,02
August	87,33	20,66	51,35	20,28	179,12	30,62	219,74	26,64	9,90	86,25	1,92	25,04	62,18	7,74
September	60,36	18,28	55,51	16,91	151,06	21,26	182,32	23,63	13,68	61,57	1,02	28,64	52,13	11,05
October	50,15	23,59	61,12	15,97	150,84	25,92	180,76	11,10	9,30	72,93	76	20,52	50,24	12,17
November	54,93	14,81	58,52	15,46	143,57	29,71	183,43	14,40	7,37	80,45	2,22	24,17	50,09	12,21
December	54,13	8,44	57,88	15,97	136,01	34,76	181,17	10,25	8,11	63,93	3,97	31,67	50,49	12,76
Week Ending														
16-12-1955	60,14	7,46	55,99	16,80	140,39	34,50	184,88	9,11	6,62	71,17	5,11	29,68	50,54	12,66
23-12-1955	60,95	7,95	55,24	16,08	139,22	37,13	177,34	7,87	9,16	59,37	5,29	32,19	50,43	13,03
30-12-1955	54,01	10,62	57,87	15,81	138,31	36,13	184,45	12,16	12,07	48,30	3,66	44,63	50,54	13,09
6-1-1956	54,11	9,73	51,79	15,62	131,24	38,09	179,33	11,71	11,83	43,40	4,11	44,68	50,51	13,09
13-1-1956	52,11	8,46	55,06	15,83	131,47	41,14	182,61	13,12	13,70	43,96	3,58	43,48	51,59	13,18

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Fund. *Average of Fridays.
†Includes cash and short term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39*	123,81	103,30	227,11	6,38	15,88	9.80	111,34	460	51.05	..
1947-48*	706,85	343,89	1,050,54	39,92	100,81	13.40	427,54	16,82	42.30	..
1948-49*	674,56	303,88	978,44	37,51	76,63	11.67	424,86	16,44	45.10	..
1949-50*	597,79	272,59	870,38	34,47	65,85	11.53	426,74	16,35	50.79	..
1950-51*	599,13	278,45	877,59	34,68	60,78	10.88	447,03	11,87	52.29	..
1951-52*	593,73	290,82	884,55	37,33	57,29	10.70	523,59	22,81	63.06	308,45
1952-53*	546,23	309,26	855,49	33,33	51,82	9.95	461,64	38,47	60.48	309,34
1953-54*	528,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	59.56	321,29
1954-55*	559,62	351,86	911,48	32,68	53,91	9.50	468,39	84,66	62.08	339,74
Average of Fridays										
June 1955	596,14	394,62	990,75	34,71	49,13	8.46	501,44	114,19†	63.98	346,47
July	600,22	403,4	1,003,36	33,80	49,01	8.30	499,64	110,56†	62.73	362,67
August	605,00	409,09	1,014,08	34,15	49,19	8.22	495,96	110,80†	61.76	373,92
September	604,02	413,69	1,017,87	33,22	54,14	8.58	498,19	103,18†	61.15	381,86
October	612,82	422,95	1,035,77	33,98	59,64	9.04	484,87	103,51†	59.24	390,42
November	612,61	423,85	1,036,46	35,22	57,05	8.90	491,93	105,00†	59.79	398,43
December	613,68	422,24	1,035,92	38,93	58,38	9.39	503,02	107,60†	61.04	390,56
Week Ending										
9-12-1955	615,68	422,35	1,038,03	34,46	57,28	8.84	498,69	105,21†	60.25	393,52
16-12-1955	613,00	421,15	1,034,83	34,07	54,24	8.53	508,71	105,10†	61.03	391,93
23-12-1955	606,68	420,28	1,026,95	33,95	55,70	8.73	513,60	108,62†	61.76	387,93
30-12-1955	614,48	418,40	1,320,88	38,06	60,17	9.51	516,73	114,72†	62.15	385,05
6-1-1956	614,62	413,33	1,027,96	38,27	50,48	8.63	552,00	125,01†	75.5	382,93

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY

(Lakhs of rupees.)

Last Friday		Money supply	Total currency with the public	Deposit money with the public			Total variations in money supply
				Total	Demand liabilities of banks	Total deposits with Reserve Bank (excluding those of central Govt. & Banks)	
		(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1952-53	..	1,784,55	1,199,25	585,30	548,95	36,35	-44,30
1953-54	..	1,856,57	1,229,43	627,14	549,83	77,30	+72,02
1954-55	..	1,980,90	1,311,77	669,13	599,18	69,97	+124,33
October	1954	1,797,27	1,185,44	611,83	579,08	32,75	+23,27
November	..	1,807,86	1,188,45	619,40	591,39	28,01	+10,59
December	..	1,848,89	1,224,61	624,28	597,20	27,08	+41,03
January	1955	1,877,73	1,245,91	631,82	601,04	30,78	+23,94
February	..	1,915,34	1,272,35	643,00	610,04	32,96	+37,61
March	..	1,980,90	1,311,77	669,13	599,16	60,07	+65,56
April	..	2,003,14	1,342,90	660,23	614,26	45,94	+22,24
May	..	1,989,50	1,348,41	641,09	616,96	24,12	-13,64
June	..	1,988,42	1,343,74	644,67	623,43	21,24	-108
July	..	1,974,91	1,324,80	650,11	619,53	30,58	-13,51
August	..	1,995,61	1,314,74	650,88	632,86	48,02	+20,76
September	..	1,964,53*	1,309,86*	654,67*	631,32*	23,35	+23,88*
October	..	2,007,73*	1,331,41*	676,32*	634,96*	41,35	+41,20*
November	..	2,014,08*	1,351,91*	662,17*	638,93*	23,24	+6,53*

INDUSTRIAL PRODUCTION IN INDIA

Item	Unit	Latest Installed Capacity	1950	1951	1952	1953	1954	1955†
Sugar	Million tons	..	31.99	34.31	36.24	35.84	36.77	38.20
Sugar	'000 tons	1,357	977	1,115	1,494	1,291	1,008	1,582
Tea	Million lbs.	..	613	629	614	608	642	649
Coffee	'000 tons	..	20	18	21	23	29	31
Cotton Yarn	Million lbs.	..	1,175	1,304	1,450	1,506	1,561	1,583
Cotton Cloth	Million yards	..	3,665	4,076	4,593	4,878	4,998	5,009
Jute	Thousands tons	..	835	875	952	869	928	1,015
Cigarettes	Millions	24,250	23,629	21,449	20,119	18,424	19,828	21,442
Plywood	Lakh sq. ft.	1,416	502	709	905	612	778	1,137
Paper & Paper Boards	Thousand tons	..	109	132	138	140	155	179
Sulphuric Acid	" "	209	103	107	96	109	151	159
Caustic Soda	" "	42	11	15	17	23	29	33
Soda Ash	" "	90	44	48	44	57	48	67
Chlorine Liquid	" "	18	4	5	6	8	10	11
Bleaching Powder	Tons	7,800	3,300	3,600	800	1,900	2,900	2,700
Bichromates	"	5,400	2,000	3,300	1,500	2,500	3,200	3,100
Superphosphates	Thousand tons	213	52	61	47	48	105	83
Ammonium Sulphate	" "	426	47	53	220	320	340	385
Paints & Varnishes	" "	64	28	34	32	32	37	35
Matches (Cases)*	Thousand	766	523	578	619	618	529	612
Sheet Glass (Sq. Ft.)	Lakhs	1,013	96	111	91	228	331	272
Cement	Thousand tons	4,444	2,612	3,196	3,538	3,780	4,398	4,490
Refractories	" "	339	236	238	244	228	240	256
Pig Iron	" "	2,221	1,562	1,709	1,685	1,655	1,793	1,811
Steel Ingots & Metal for Castings	" "	1,542	1,438	1,500	1,578	1,507	1,685	1,737
Hurricane Lanterns	Thousands	5,004	2,808	3,972	3,528	4,308	4,992	5,101
Aluminium	Tons	7,500	3,596	3,848	3,566	3,758	4,886	6,702
Copper	"	7,200	6,618	7,084	6,079	4,920	7,162	7,244
Lead	"	6,000	628	859	1,132	1,694	1,788	2,023
Enamel-Ware (Pieces)	Lakh	300	54	81	77	95	150	144
Diesel Engines	Nos.	16,272	4,596	7,248	4,248	3,720	8,652	9,866
Sewing Machines	"	41,496	30,888	44,460	50,040	62,424	80,196	96,315
Machine Tools (Value)	Rs. in thousand	..	2,660	4,730	4,438	4,408	5,003	5,888
Dry Cells	Lakhs	2,244	1,381	1,434	1,302	1,484	1,487	1,476
Storage Batteries	Thousands	290	187	212	158	176	188	220
Electric Motors	Thousand H.P.	200	82	143	157	162	187	225
Power Transformers	Thousand K.V.A.	378	172	196	215	308	400	467
Electric Lamps	Lakh	292	143	155	209	198	231	249
Electric Fans	Thousand	304	193	212	196	199	239	289
Bicycles	"	492	103	114	197	264	373	448

* 50 gross boxes of 80 sticks each.

† Estimated.

AVERAGE DAILY EMPLOYMENT IN FACTORIES IN SOME IMPORTANT INDUSTRIES IN INDIA

Industry	1939	1940	1941	1942	1943	1944	1945	1946
Sugar	76,731	85,636	85,537	88,630	92,064	91,677	91,898	94,513
Paints and Varnishes	1,792	1,933	2,613	2,723	3,109	3,447	3,643	3,537
Cement and Potteries	12,564	12,690	15,588	16,885	15,349	17,272	19,038	21,823
Glass & glass products	8,934	12,048	16,703	15,015	18,328	21,350	23,719	25,841
Paper & Paperboard	9,702	11,284	12,859	14,301	16,511	16,562	17,200	18,807
Matches	12,030	11,744	12,014	9,061	10,412	11,000	13,127	14,293
Cotton Textiles	487,402	490,573	595,415	610,960	650,599	656,410	657,726	643,720
Woolen Textiles	7,433	9,892	13,214	14,164	15,181	15,148	15,713	15,959
Jute	298,967	303,777	310,624	309,962	302,304	288,663	303,319	313,133
Chemicals	23,932	25,758	35,420	38,459	46,773	46,953	50,260	59,776
Iron & Steel	40,790	47,617	54,137	54,853	60,944	58,497	60,331	61,612
General Engineering	49,053	52,900	75,263	97,651	114,499	130,442	141,514	117,786
Electric Engineering	7,057	7,654	10,328	12,065	13,010	14,323	16,071	16,775
Non-Ferrous Metals	5,024	5,431	10,006	13,467	14,967	15,408	18,168	16,840
All Industries	1,041,411	1,078,937	1,249,721	1,298,199	1,374,050	1,387,153	1,461,727	1,424,415
Correction for Partition to be Deducted	27,942	27,942	27,942	27,942	27,942	27,942	27,942	27,942
Balance	1,013,469	1,050,995	1,221,779	1,270,257	1,346,108	1,359,211	1,433,785	1,396,473
Index Number of Employment (Base: 1939 = 100)	100.0	103.7	120.6	125.3	132.8	134.1	141.5	137.8
Industry	1947	1948	1949	1950	1951	1952	1953	1954
Sugar	92,417	95,813	95,812	87,371	83,823	86,268	82,740	81,781
Paints & Varnishes	3,416	3,273	3,389	4,906	6,324	5,383	5,648	5,767
Cement	19,414	19,268	21,130	20,911	22,353	21,801	22,032	21,784
Glass & Glass Products	24,652	25,214	23,873	21,615	24,002	23,024	19,626	20,084
Paper & Paperboard	17,860	17,665	17,576	17,548	18,698	18,800	19,259	20,737
Matches	15,201	16,419	15,200	10,115	11,059	8,426	10,127	11,869
Cotton Textiles	637,090	645,224	653,309	609,741	619,809	645,270	650,811	652,987
Woolen Textiles	14,407	14,167	14,455	12,632	12,141	12,297	11,664	10,975
Jute	319,302	329,429	322,159	303,364	302,207	292,871	272,240	271,537
Chemicals	43,934	47,888	54,280	32,538	39,719	39,843	44,336	45,082
Iron & Steel	60,944	60,958	60,316	80,341	82,898	80,632	74,913	76,416
General Engineering	104,873	117,099	122,171	123,354	118,265	113,392	107,965	125,249
Electric Engineering	15,303	14,367	13,985	19,625	21,389	25,316	19,068	23,435
Non-ferrous Metals	15,960	26,056	34,292	34,292	12,290	12,290	8,371	9,707
All Industries	1,384,773	1,432,840	1,451,947	1,378,353	1,374,974	1,385,607	1,348,800	1,377,329
Index Number of Employment (Base: 1939 = 100)	136.6	141.4	143.3	136.0	135.7	136.7	133.1	135.9

Source: Indian Labour Gazette.

CENSUS OF MANUFACTURING INDUSTRIES, 1953
SUGAR (EXCLUDING GUR)

Item	Bombay	Madras	Uttar Pradesh	Bihar	Rajasthan	Andhra	West Bengal, Punjab, Orissa, Patiala & East Punjab States Union & Ajmer	Total
1.	2.	3.	4.	5.	6.	7.	8.	9.
1. Number of factories employing 20 or more workers & using power—								
(a) In existence	15	4	76	33	6	10	7	151
(b) From which returns were received	14	4	75	28	4	10	5	140
(c) Percentage of (b) to (a)	93	100	99	85	67	100	71	93
2. Average number of days worked	140	164	120	75	75	134	120	113
3. Productive capital employed—								
(a) Fixed capital—								
i. Land Rs.	5,99,310	2,17,070	24,78,853	9,71,827	26,461	2,09,780	21,221	45,24,522
ii. Buildings Rs.	1,46,13,448	26,88,314	2,92,34,653	92,90,552	8,45,641	34,08,522	24,20,463	6,25,01,693
iii. Plant & machinery Rs.	2,12,18,205	83,12,013	5,24,00,943	1,43,29,935	11,37,752	1,51,76,518	41,72,343	11,67,67,709
iv. Other fixed assets Rs.	45,42,572	1,90,026	75,97,234	30,84,586	46,584	19,62,133	9,47,697	1,83,70,832
TOTAL Rs.	4,09,73,535	1,14,27,423	9,17,11,683	2,76,76,400	20,56,438	2,07,56,953	75,61,724	20,21,64,156
(b) Working capital—								
i. Stocks of raw materials	1,61,20,013	78,19,523	4,31,06,746	2,03,81,436	7,08,752	34,79,912	23,26,982	9,39,43,364
ii. Stocks of finished products & by-products Rs.	1,96,04,296	29,80,638	12,62,85,463	4,63,86,362	20,35,636	1,12,09,663	67,37,835	21,52,39,893
iii. Semi-finished products in stock or in process Rs.	96,366	2,12,504	9,91,022	5,03,315	24,997	1,00,625	67,642	19,96,471
iv. Cash in hand and at the banks Rs.	98,84,405	25,93,775	1,13,01,644	39,40,984	3,61,502	9,34,975	10,30,544	3,00,47,829
TOTAL Rs.	4,57,05,080	1,36,06,440	18,16,84,875	7,12,12,097	31,30,887	1,57,25,175	1,01,63,003	34,12,27,557
Total Productive Capital	8,66,78,615	2,50,33,863	27,33,96,558	9,88,88,497	51,87,325	3,64,82,128	1,77,24,727	54,33,91,713
4. Number of persons employed—								
(a) Workers	6,922	2,181	57,044	21,207	1,197	3,731	1,840	94,122
(b) Persons other than workers	1,632	634	7,930	6,413	161	667	773	18,210
TOTAL	8,554	2,815	64,974	27,620	1,358	4,398	2,613	112,332
5. Salaries & wages paid—								
(a) Workers Rs.	45,13,400	18,20,995	3,78,84,768	95,01,042	2,89,052	17,27,572	13,33,744	5,70,71,473
(b) Persons other than workers Rs.	20,27,510	12,20,683	1,05,82,194	74,69,349	1,68,799	11,88,600	12,16,753	2,47,73,897
(c) Money value of other benefits and privileges Rs.	8,53,189	2,71,665	22,18,051	6,41,939	50,613	17,395	1,78,043	42,30,865
TOTAL Rs.	82,94,108	33,13,343	5,06,86,013	1,76,13,290	5,08,464	29,33,567	27,28,540	8,60,76,265
6. Fuels, Electricity, Lubricants, etc., consumed—								
(a) Quantity—								
i. Coal Ton	9,364	2,467	43,036	16,588	2,049	4,184	1,158	78,846
ii. Electricity K.W.H.	9,44,508	33,63,591	8,62,084	64,336	1,927,152	522,241	7,673,912	7,673,912
iii. Lubricating oils Gallon	34,920	263,830	76,722	3,744	15,019	16,981	423,372	423,372
(b) Value—								
i. Coal Rs.	3,40,467	89,836	13,43,321	4,83,316	79,350	1,47,949	25,732	25,18,971
ii. Electricity Rs.	38,316	7,25,319	60,501	8,042	2,03,544	84,298	11,20,020	11,20,020
iii. Lubricating oils Rs.	1,79,544	66,784	12,56,883	3,63,061	18,177	81,514	80,026	20,46,989
iv. Others Rs.	7,56,335	99,425	33,80,894	9,26,632	62,889	3,56,175	1,08,120	56,90,450
TOTAL Rs.	12,85,346	2,94,361	67,06,417	18,33,610	1,68,438	7,89,182	2,98,176	1,13,75,430
7. Materials consumed—								
(a) Quantity—								
i. Sugar cane Ton	1,076,402	299,824	5,693,576	1,438,722	58,053	350,061	295,625	9,212,263
ii. Gunny bags No.	1,271,650	279,511	5,579,554	1,453,682	52,917	334,686	286,900	9,259,180
(b) Value—								
i. Sugar cane Rs.	4,83,74,697	1,19,53,036	24,38,56,116	6,42,56,693	23,10,662	1,40,37,440	1,15,57,426	39,63,46,670
ii. Gunny bags Rs.	18,80,740	4,67,825	79,72,625	21,08,818	78,116	4,77,371	3,86,197	1,33,71,692
iii. Others Rs.	65,41,399	33,83,815	1,73,72,260	59,21,144	2,42,090	8,28,580	11,02,135	3,53,91,423
TOTAL Rs.	5,67,96,836	1,58,05,276	26,92,61,001	7,22,86,655	26,30,868	1,53,43,391	1,30,45,758	14,51,09,786
8. Amount paid to other concerns for work done for factory Rs.	2,225	..	1,68,928	1,91,358	..	60,000	77,102	4,99,613
9. Production—								
(a) Quantity—								
Sugar Ton	127,059	27,611	559,267	144,221	5,346	33,041	28,567	925,212
(b) Value—								
i. Sugar Rs.	9,90,86,101	2,00,52,770	41,84,37,050	10,79,88,525	43,94,954	2,39,69,783	2,11,62,922	69,50,92,105
ii. Other products Rs.	16,86,416	67,86,182	51,95,191	7,00,242	2,26,764	11,93,727	3,29,899	1,61,18,428
TOTAL Rs.	10,07,72,517	2,68,38,952	42,36,32,241	10,86,88,774	46,21,718	2,51,63,510	2,14,92,821	71,12,10,533
10. Amount received from others for work done for them Rs.	37,823	..	59,647	278	908	9,390	..	1,08,136
11. Value added by manufacture—								
i. In-factory value of products & work done for others Rs.	10,00,69,069	2,68,38,950	42,11,06,268	10,86,02,860	46,22,716	2,49,11,467	2,12,09,949	70,73,61,281
ii. Value at factory of materials, fuels, etc., consumed & work done for factory by other concerns (including the value of semi-finished products or finished parts manufactured earlier but consumed during the year) Rs.	6,10,88,483	1,61,62,992	29,45,14,452	7,57,33,960	28,82,339	1,66,52,779	1,45,37,328	48,15,77,331
TOTAL Rs.	29,12,864	8,95,699	66,33,639	19,39,272	1,47,475	16,54,041	5,53,396	1,47,36,386
12. Value added by manufacture [(i)+(ii)] Rs.	3,60,67,722	97,80,263	11,99,58,177	3,09,24,628	15,92,002	66,04,647	61,19,225	21,10,47,564

N.B.—Complete & detailed figures will be published in due course in the Report of the Eighth Census of Indian Mfg., 1953.

PROTOS ENGINEERING CO., LTD.

CONSULTING ENGINEERS

BOMBAY - DELHI - CALCUTTA - MADRAS

P. Box No. 1642

P. Box No. 431

P. Box No. 2549

P. Box No. 1900

**FOR THE INDUSTRIAL DEVELOPMENT SCHEMES OF
THE STATES OF THE INDIAN UNION WE
GIVE TECHNICAL ADVICE AND
DO PLANNING WORK
FOR**

Thermal-, Hydro-, and Diesel Power Stations.

Water Supply and Water Purification Plants.

Mining and Processing of Coal and Lignites.

Steel Works.

Oil Refineries.

Industrial Plants (such as Sugar Factories, Alcohol Distilleries, Chemical Plants, Cement Factories etc.)

Irrigation- and Pumping-Plants.

Bridges and Ropeways.

Refrigeration Plants.

Shipbuilding and Equipments.

NEW INDIA DEVELOPMENT CORPORATION LIMITED

MANUFACTURERS & CONTRACTORS

Laxmi Building, Ballard Road, BOMBAY.

P.O. Box No. 19

Telegrams "Devcorp"

Telephone 261010

Printed and Published by Devi Prasad Sharma at the Hindustan Times Press,
for "The Eastern Economist" Ltd., 52, Queensway, New Delhi. Editor:—E. P. W. da Costa, M.A. (Oxon.)

ATUL

DYES CHEMICALS PHARMACEUTICALS



THE ATUL PRODUCTS LIMITED
ATUL, via BULSAR, Western Railway

With a Supplement on
NATIONALISATION OF LIFE INSURANCE



The Eastern Economist

VOL. XXVI. NO. 5.

NEW DELHI: FEBRUARY 3, 1956.

PRICE RS. 1/8.

CONTENTS

	Page		Page
<i>Leading Articles:</i>		WORLDGRAM AND NEWS IN BRIEF	171
THE BREAK OF CONFIDENCE ..	157	<i>The Business World:</i>	
THE ROLE OF ECAFE	159	Psychology in Cement Industry ..	177
WANTED: BETTER BLOOD BANKS ..	160	Countering Soviet Economic Offensive ..	178
WEEK'S NOTES	161	BUSINESS NOTES	179
Eisenhower Rejects Bulganin's Proposal; Germany to Stay "Divided"?; China's Twelve-Year Plan; Nepal's New Ministry; Exodus from East Bengal; Education and the Second Plan; Un- employment Among the Educated.		Policy for Machine Tools; Will America Dump Her Cotton Overseas?; ACC Embarks on Expansion Plans; Fan Manufacture Recovers Ground; Llyods Bank Ltd.	
WINDOW ON THE WORLD:		COMMODITY NEWS AND NOTES ..	182
Odysseus on "Un-Doctrinaire Socialism" ..	165	COMPANY AFFAIRS	186
A Delhi Diary	167	CURRENT STATISTICS	187
ECONOMIC REPORT FROM THE US:			
1956 Economic Scene	168		

The Break of Confidence

YESTERDAY, Thursday, February 2, the great barometers of the Bombay and Calcutta Stock Exchanges registered their lowest figures for the last six months. Within a matter of a month Ordinaries have dropped from about Rs. 270 to Rs. 225; in a slightly longer period Indian Iron dropped from over Rs. 43 to Rs. 32. Happily the Stock Exchanges, both in Bombay and Calcutta, the barometers are not at the present performing their barometric function; if all stock prices had fallen in the same proportion an acute stock exchange crisis would have descended on the country. Even as it is, settlement difficulties in Calcutta and in Bombay have meant speculation and adjustment to prevent the full

impact of what might be called free market conditions. It is as well for private enterprise enthusiasts to recognise that, even in its own practice, 'free' markets have their limits. But there is a greater lesson to be learnt at the present time in the public sector; it is that the public and private sectors are, in truth, members of each other.

It is certainly true that at its height near the peak the recent stock exchange boom was unhealthy. Excessive height, like pride, is destined for a fall. But there is no question that the rapidity of the fall has been mostly a measure not of basic technical unhealthiness but of the

break in confidence which hasty government utterances and one particularly ill-timed government act—the nationalisation of life insurance a fortnight ago—have cast upon the country. It is quite usual for the authorities in New Delhi, viewing the country's misfortunes from Olympian heights, to gather to themselves their ideological robes and, gazing fixedly at the long-term horizon, to ignore all the short-period struggles in the market-place. This righteous long-sightedness would have some justification were it not that the Government of India is likely to be the major loser in the departure of the confidence from the country's capital markets. It is to be remembered that the loan figure in the second Five-Year Plan is Rs. 1,200 crores, much more than the organised private sector needs for all its plans. If the current situation in the stock exchanges is not corrected, it spells disaster for the loan targets for the Plan, and, as a consequence, spells a danger of uncontrollable inflation should the Government persist in investment at the scheduled figure even if its loan programme should fail. Because of the deadly chain reaction in the financial world, the Government of India cannot hold itself aloof, as it often deems it can do, from the economic consequences of its own actions. Thus the public sector has as great a stake in the private sector as the private sector has in the public sector. It is physically impossible for either sector to feed itself, in the long run, on the misfortunes of the other.

One would have thought that, within the limits in which this doctrine holds, it was so elementary that the Government of India would not have chosen to inflict such wanton disorder on the financial markets of the country as it has in fact done. Professors of economics have not been wanting in the last two months who have proclaimed their belief in magical doctrines such as those on ceilings of incomes and the all-pervasive power of nationalisation, the first the purveyor of social justice, the second the *deus-ex-machina* for making public resources. The professors are responsible to no one for their views; theirs can be a happy, and irresponsible position. But for the Government to listen to such mystic simplifications not respecting the mundane consequences, makes it heavily responsible for the debacle that has been produced. It will not matter much if only a few individuals are ruined, and some fierce competition kills those unlucky enough to be caught in its coils. Private enterprise is supposed to provide by this struggle unto death for the survival of the fittest. What is dangerous is the manner in which the break of confidence is now endangering the future performance of the whole private sector in the Plan, and the danger it is proclaiming to the spacious resources hopes of the public sector.

This is a stage at which the Finance Minister of India, who has been *hors de combat* for some days in the last week and has only partially recovered from recent political and economic shock-treatment, needs to awaken to current realities. There is no doubt that much that has happened in the last month has been calculated to damp a sensitive spirit and to scar a scholarly mind. But just as anger and pride are bad counsellors, withdrawal from the market-place, such as alone can explain reckless action of the Finance Ministry in the last month, can lead to grave miscalculations. The timing of the ordi-

nance on the nationalisation of life insurance is one of the gravest blunders which the Finance Minister of India has made; an initial error has multiplied itself many times by choosing an inauspicious hour for its appearance.

The disease certainly goes above the Finance Ministry. It has become literally true that in the Central Cabinet today there is not a single Minister who is fully conversant with the extent of feeling in the private market-place against the cold and calculating moves which have been made in the Planning Commission and elsewhere to enlarge the public sector at the expense of private individuals. Some of these moves are associated with Professor P. C. Mahalanobis, who is believed to be a sinister figure affecting the Prime Minister in the romantic, if discredited, methods of backstairs influence. It may well be that Prof. Mahalanobis' influence has been exaggerated. But if it is not, it shows the extent to which power in India can pass from regular civil servants who function with set responsibilities to those who can say and do as they like without any set of rules of conduct or fixed responsibilities. If Prof. Mahalanobis' influence on policies is great, it is vital that his official position should be defined.

In the last analysis India possesses in a marked degree a defence against all these misjudgments of economic events and mistakes on the choice of men who would make of human events only mathematical equations. There is a compulsion in events which this week has operated in the truly grand manner to checkmate not all ideological thinking in its rarefied form. This has been in the sphere of coal. After many months of fruitless waste, the target for the public sector in coal has been reduced from 15 million to 9 million tons. This is a triumph for good sense. But why was good sense so long in coming in this case? The answer is not to be found in the difficulties of this decision. It is to be found very largely in the obstinacy of the hold which ideology exercises in places of power and influence.

There is no greater hindrance to the right ideas than the wrong ones. In that sense, the greatest of all battles are in the minds of men. But the test of rightness and righteousness can never be found in the academic forum which the Planning Commission has now become. Every theory in the social sciences, as in the physical sciences, needs to be tested in the real world. It is a comment on the theories of the professors that in their first contact with reality—namely coal—they have broken down.

It is sincerely to be hoped that the wise decision on coal is a herald at last that in practical affairs practical men—civil servants and business men—will come into their appropriate place. There is no guarantee that the practical men will always be right. But at least they have a feeling for the real world which is important if plans are to move from thoughts to deeds. The professors have had their say; let them now withdraw to their ivory towers. There is plenty of thinking to be done there, while the plans for action are being prepared.

The Role of ECAFE

THE annual session of the Economic Commission for Asia and the Far East, currently being held at Bangalore, is an appropriate occasion for an assessment of the part it has played in the formulation of programmes of economic reconstruction and expansion in this region. There is hardly any divergence on the effectiveness of its services during the last eight years since its inception and the question is posed why it has been unable to make the anticipated impact on the solution of the problems of this region to raise their levels of economic activities. Any comparison of the performance of ECAFE with the spectacular achievements demonstrated by some other organisations of the United Nations armed with financial powers like the World Bank would be not only out of place but totally misconceived. But organisations, not so endowed with solid resources which can be aligned with ECAFE, have not been prevented by this handicap from rendering assistance of immediate value in their special spheres. The major shortcoming of ECAFE has been its failure to invest its work with any concrete purpose.

The full measure of responsibility for this drawback cannot, on any balanced appraisal, be placed on the Commission. Its initial lack of resources in every single sphere of work needs to be appreciated. Unlike the Economic Commission for Europe, which enjoyed the benefit of a sound organizational apparatus, partly inherited from the United Nations' predecessor organization and largely built on a comprehensive and sound basis by reason of command over rich resources of statistical and factual data readily available in economically progressive countries, ECAFE had to grope its way in an area where these aids could be obtained only on a scanty scale. The difficulties in procuring worth while data during the first few years of ECAFE's existence were complicated by the fact that this period synchronised with a period of unsettled conditions over the whole of the region and the fact that differences of degree in dislocation existed in individual countries did not alter the situation. In the wake of their newly acquired independence, the preoccupation of these countries was inevitably diverted to the challenge of political and administrative consolidation. Economic reconstruction from the ravages of war and of subsequent calamities like the partition of the Indian sub-continent or Communist subversion in most other areas was relegated to next priority. Even now when the immediate post-independence transition has been virtually over, ECAFE continues to receive a raw deal on this basic resource.

These obstacles were not altogether unanticipated, and it was one major purpose, however difficult to achieve, assigned to ECAFE to assist the countries of South and South-East Asia in their struggle for economic reconstruction. If it has not been able to respond to the pressure of this obligation and to function effectively as an adviser and guide in specific problems of economic planning, the explanation must be sought, besides these limitations, in the pattern which it has evolved for the technique of its work. Eight years is not an inadequate period for an organisation, deriving its sanction and status from the United Nations, to register its impression on the programmes of economic rehabilitation and development undertaken by its member countries. The in-

ability to make that impression is due mainly to the absence of a dynamic policy to adjust its technique of operation to the fast changing needs of the countries of the region.

Collection of information and its dissemination must continue to form an integral part of ECAFE's work and almost total absorption with this function was quite understandable in the first few years. But the countries of the region have transcended the phase of post-war reconstruction. They have already embarked on programmes of planned development of their economies, and while there are differences of scales on which they have actually resorted to policies of planned development, it is significant that Nepal and Afghanistan are the latest additions to this alignment. Reflecting this pattern of economic activity in the region, a change in the coverage and direction of ECAFE's functions was obviously essential. The complexion of its work indicates that it is still operating, by and large, as a clearing house of information. Its scope has not been entirely narrowed down to this type of activity and its annual surveys as also its publications on individual topics disclose its role in research. This research, however, largely amounts to post-facto analysis of events and developments in the region, mostly incorporated in the official reports of the countries, and when it is routed back to them, efflux of time and intervening changes in economic conditions detract from its use. Whatever the nature of its work, whether it is collection of information or research in specific problems, the conclusion is hard to escape that it is usually removed from the live requirements of immediate urgency in the region.

The present is a crucial phase in the economic development of Asian countries when advice and guidance would be of value to them in tackling urgent issues of mobilising internal resources, formulating manpower budgets with special regard to technical personnel, procuring external capital and technical know-how, and, above all, in preparing blueprints for specific projects. No operational responsibility can be placed on ECAFE in these spheres, but it is certainly within its competence to offer its services to assist individual countries on their requests. If the numerous publications of the Commission on iron and steel or a report of experts on the lignite industry in Australia, leaves the member countries unimpressed and they turn elsewhere for advice, the reason is not wholly that they must turn to those who have intimate knowledge and experience of the projects, but the explanation is offered in part at least by the academic character of these researches. Contrary to the prevailing belief, the constitution of ECAFE does not cramp its initiative. It empowers the Commission to sponsor investigations into problems of importance to the region and in any event it does not define its functions in a more restrictive manner than do the constitutions of its counterparts in Europe and Latin America. The present requirements of South and South-East Asian countries are so varied and pressing that parallel assistance from a number of UN and regional organisations cannot exhaust the potentialities of ECAFE's good offices. If the Marshall Plan with its massive resources still left operating space for ECE, the Colombo Plan with its marginal utility cannot rob ECAFE of its serviceability.

Guest Editorial

Wanted: Better Blood Banks

THE remarkable success which has attended voluntary work in the last year in Bombay to obtain blood for transfusion highlights two remarkable facts which need all-India emphasis. The first of these is that, given leadership of the high quality which has been shown in Bombay—partly, it must be admitted, through imaginative European guidance—it is possible to bring home the difficult message of blood-giving to a large number of people in a remarkably short time. The second, as unsatisfactory as the first is agreeable, is the extent to which recent investigations have shown that blood supplies are short in every Blood Bank in India. The country seems quite unaware of the extent of suffering, and even death, which results from the absence of adequate supplies of the right blood at the right times.

Blood transfusions save life or speed up recovery in many serious cases—accidents and maternity cases where much blood has been lost, serious major operations, particularly chest surgery, burn cases and cases of acute anaemia. The first attempts at blood transfusion were made in France in the 17th century when lamb's blood was injected by means of a quill into human beings, the patients dying in every case. It was not until the beginning of the 19th century that successful transfusions of blood from one human being to another were achieved. It was nearly a century before it was discovered why the blood of one human being could not always be given to another with safety. The reason is that human beings are divided into four different groups and the blood of one group is "incompatible" when mixed with the blood of another group; that is to say, the bloods clot when they meet and cause extremely severe reactions.

The four groups are known as ABI, AII, BIII, and OIV. This incompatibility is true of three of the four groups. OIV is a special group and is known as the Universal Donor; the blood can be given with safety to all the other groups. Indeed, in France, before the war, blood was only taken for transfusion from the OIV group. There is also the Rhesus Factor, discovered in 1940 and named after experiments made on rhesus monkeys. In a very small number of cases the blood groups of the mother and her new-born child are incompatible, causing early death of the child or permanent damage should it survive. This condition can now be alleviated by an early transfusion from a donor of the appropriate blood group. The mother's life may also be saved by a blood transfusion of her own group with the additional characteristic of Rhesus Negative.

In the highly developed countries of the West, there is no difficulty in getting blood from donors in sufficient quantities for all the needs of the hospitals. But to maintain this service a continuous campaign is carried on through the press, over the wireless and by appeals of various kinds. For several months last year all letters from the London area had the legend "Blood Donors are urgently needed" combined with the postmark.

Up to the end of 1954, voluntary blood donors to the National Blood Transfusion Service in England and Wales numbered 540,000, not including donors from the armed forces. A further 25 per cent on the effective donor panel was considered necessary to meet the probable growth in demand. During 1954 the number of blood donations was 700,000. Long service badges are presented to donors with more than 50 donations to their credit. The blood is kept in Regional Blood Banks and is issued to Area Blood Banks which are maintained at general hospitals in each county. Each principal hospital holds a supply not only for its own needs but also for smaller hospitals, nursing homes, etc.

In India there is much quite understandable fear and ignorance connected with giving blood in hospitals. When the relations of a patient are approached, the answer is too often, "if he is destined to die, then let him die!" In spite of this all too prevalent attitude, some hospitals are able to raise as much as 50 per cent of their requirements from friends and relatives of patients. The remaining 50 per cent is bought from professional donors who are in most cases the poorest members of the community whose blood is of inferior quality and is frequently infected.

In India the ratio of potentially civic-minded persons is as high as elsewhere. Six months ago a group of voluntary workers attached to one of Bombay's hospitals started a voluntary blood transfusion service. A documentary film "Blood Bank" is being shown to groups of office workers, a short talk is given and all questions are answered. The response has been so encouraging that the blood transfusion service is now able to supply four of Bombay's leading hospitals with their full requirements free of charge. In addition to this, a stock of "plasma" is being gradually built up. Plasma is made from that part of fresh blood called serum, which is transformed into a powder by a long and complicated process. This plasma can be stored indefinitely and used regardless of the blood group of the donor or the recipient. It is an effective substitute for fresh blood.

A great deal of care goes into the reception of the voluntary donors and the "blood-letting"—a matter of ten minutes and no more pain than what a small injection causes. For the service to be successful, donors must be persuaded to give their blood not once, but regularly, twice, a year perhaps. Of the 700 donors who volunteered in Bombay before the end of 1955, only three were discovered to have infected blood and a very small number had blood of inferior quality. Although the voluntary donors are offered free blood transfusion for themselves and their families should the need arise, it can be said with certainty that this is not the compelling motive. They regard it as a great privilege to save human life. Even otherwise regarded, there is the opportunity for the individual to make a socio-economic contribution to the improvement of medical facilities. It is time official agencies here took a leaf out of Bombay's book. Will not the Social Welfare Board make blood giving a large plank in its activities?

THE WEEK'S NOTES

EISENHOWER REJECTS BULGANIN'S PROPOSAL

AS EXPECTED President Eisenhower has rejected Marshal Bulganin's proposal for a treaty of friendship and co-operation between the United States and the Soviet Union. As a means of reducing international tension, which was the Soviet Premier's ultimate aim, such a non-aggression pact can if at all come only as the culmination of a series of steps designed to solve all outstanding problems between the two countries. Deeds, and not words, spoken or written, can lead to friendly collaboration between States, and as far as deeds are concerned, even the way to good deeds is being closed by Soviet spokesmen as soon as one becomes discernible. Mr. Eisenhower, in his reply to Marshal Bulganin, pointed out that the provisions of the treaty proposed by the Soviet Premier were already covered in the U.N. Charter, and it was in spite of it that there was tension in the world now. One more treaty embodying the same spirit can serve no purpose.

In fact, the assumption of the Soviet Premier that tension can be reduced by a direct pact between the U.S. and the U.S.S.R., over the heads of all other nations, is itself open to serious criticism. In none of the issues which divide the world into two camps can the U.S.—which divide the world into two camps can the U.S.—be said to be directly involved. Nor is the U.S. in immediate fear of a direct attack from the Soviet Union. It is indirect aggression which is more insidious and more difficult to counter. The U.S. obviously cannot pledge itself to be a mere onlooker in case such aggression occurs merely because it does not constitute aggression against her own territories. All the other suggestions for promoting greater mutual understanding made by Marshal Bulganin can be implemented even in the absence of a direct treaty. The scope of these measures must be extended to include all those nations which are in one way or another involved in the Cold War.

GERMANY TO STAY "DIVIDED"?

THE PRAGUE conference of the Warsaw Treaty Powers of Eastern Europe has met and dispersed after taking a step which may have far-reaching repercussions on the character of the most distressing problem separating the free world and the Soviet bloc. In deciding to incorporate East Germany's armed forces in the unified command set up under the pact, the conference has reversed a decision it took only eight months ago. When the treaty was signed in May last, East Germany was admitted as a member, but it was decided not to place her forces under the unified command, a decision which looked like keeping the door open for German unification at any time. What has happened since then to justify the change is not clear. Though the Geneva talks have ended in disappointment, this latest step is only a retaliation by those who were vehement in the denunciation of West Germany's accession to NATO. The Prague decision makes it even more difficult to undo the division of Germany. Mr. Molotov, the Soviet Foreign Minister, significantly enough, declared that it is essential to recognise that there are now two German States, revealing clearly that there has been little sincerity on the part of the Soviet Union in making proposals for unification talks from time to time.

It is becoming increasingly clear that the Soviet Union is not interested in the unification of Germany if it means that unified Germany, in which the western half has a three to one preponderance, will join the West. Viewed as a military problem, the accession of Germany to the West is alarming to Russia; but, once it is realised that the solution of this as of other problems is only a means to peace, such a prospect need cause no alarm. That the Soviet Union is still very far from this realisation can be seen from the fact that,

even while establishing a unified command, it continues to assail other similar groupings as aggressive blocs.

CHINA'S TWELVE-YEAR PLAN

THE AVAILABLE details of China's twelve-year plan for agriculture make interesting reading. The Report on the Five-Year Plan referred last year to the excessive lag in agriculture and the reason for preparing a 12-year plan at this stage is probably to promise achievements which have not been possible hitherto. Higher targets can be set when longer periods are involved. Top priority is assigned to collectivisation since the final formation of collective farms in the "advanced" areas is envisaged by 1957 and the entire work of organising such farms is scheduled to be completed by the next year in the whole of the country. Targets for agriculture are given as so much increase in output per acre, planned rises ranging from doubling yields—to 5,400 pounds an acre—in South China to increases of around 150 per cent in North and Central China. The total area cultivated by State farms is to be increased from 2.2 million acres to 23 million acres. Floods and drought are to be made things of the past. These may be within the range of achievement but higher productivity in a country where it is already high may be difficult, without chemical fertilizers which China cannot afford to produce or to import.

The plan also envisages the wiping out of the "four evils"—rats, sparrows, flies and mosquitoes—abolition of black-death, malaria, small-pox, venereal diseases and animal diseases such as rinderpest and foot-and-mouth disease. Compulsory education is to be introduced within seven to twelve years and illiteracy eradicated. Trained agricultural workers numbering five to six million are to be turned out every year to meet the personnel requirements of the expanding co-operative economy.

Two outstanding features of the plan are that it orders co-operatives to pay equal pay for equal work and makes it obligatory on every able-bodied person in the rural areas to work for a certain number of days in a year—a sort of compulsory labour. Men in the countryside have to put in at least 250 days' work and women 120 days' labour every year. This is the Communist way of solving the unemployment problem. The plan proposes that unemployment in the cities is to be solved in five to seven years, thus admitting the existence of a severe urban unemployment problem.

NEPAL'S NEW MINISTRY

THE FORMATION of a Ministry headed by Mr. Tanka Prasad Acharya, the Praja Parishad leader, with three other partymen of his and three independents ends an interregnum in Nepali politics, but it has surely not solved the basic issues in dispute. The Praja Parishad has formed a Ministry ignoring three other parties, with two of which it was until the other day trying to form a coalition Ministry. The Nepali Congress of Mr. B. P. Koirala and the Nepali National Congress of Mr. Regmi cannot, therefore, be expected to be over-friendly towards the new Government. Nor can it be expected that Dr. K. I. Singh and his United Democratic Party will extend a hand of co-operation. In these circumstances how Mr. Tanka Prasad is going to make a success of his first venture in administration remains uncertain.

Nepal's problems are many. Economic progress is an urgent necessity; the country has been almost at a standstill though it is four years since the rule of the Ranas was ended. But the struggle for ending the despotism of the Ranas has not been followed by popular rule. The country has no constitution and the relationship between the King and the Ministry is

undefined. The failure of the earlier negotiations for a coalition Ministry is ascribed to the insistence of the King that he cannot have a Prime Minister, which will mean the end of his present influence. But Mr. Tanka Prasad has now become Prime Minister and it is to be hoped he will strive to establish democratic precedents and not be too overawed by the King's directives on policy matters, however well-intentioned the present King may be. Otherwise the Praja Parishad's claim to be a popular party will be suspect. The new Premier's aims should be to put over to the people his programme and to arrange for early elections to a Constituent Assembly which will frame a constitution and establish responsible government.

EXODUS FROM EAST BENGAL

OF LATE the exodus of minorities from East Pakistan has been steadily rising. Mr. Mehr Chand Khanna, India's Rehabilitation Minister, disclosed the other day that the number of migrants has gone up from 121,000 in 1954 to 242,000 in 1955, an increase of a hundred per cent. What is even worse, the number of Hindus applying to the Indian Deputy High Commissioner's office in Dacca for migration certificates is increasing every month. To say the least, this is an alarming state of affairs, the reasons for which are not far to seek. One of them may be the economic conditions in East Bengal which are reported to be extremely bad. But this certainly cannot explain the large-scale increase in exodus. However, it is not possible to agree with Mr. Ghazanfar Ali Khan, the Pakistani High Commissioner in India, that the main reason is that migration certificates are being freely granted by Indian officials in Dacca. It is difficult to believe that people will leave their hearths and homes for anything but the most pressing reasons. The more immediate cause is probably the unchanging political climate in the country. With the publication of the Constitution Bill, it is likely that the demand for migration certificates would have gone up in January even more than it did between November and December last—from 9,609 to 11,843.

It is not surprising that the Pakistan Government is in no hurry to respond to Mr. Khanna's request for urgent high-level discussions, for the migration of minorities will create a problem for India, while solving or reducing the magnitude of Pakistan's most difficult and pressing problem. But it is to be hoped that this intransigence is not wanton, for continuance of migration on a bigger scale will be a sad reflection on the character of the Constitution Pakistan is to have. Political discrimination, like the deteriorating economic conditions, can be ended only by resolute action from above. The minorities will like to have the assurance that, even though at the level of the common people there may not be that perfect respect for their rights which is the ideal, there is no official support, direct or indirect, for any discrimination. The attitude of the majority community will undergo a gradual change once they realise that the people of minority communities are, like themselves, citizens with the same rights and duties. It is for the Pakistan Government to give a start to this psychological change.

EDUCATION AND THE SECOND PLAN

THE UNION Education Minister's address at the 23rd meeting of the Central Advisory Board of Education has revealed the sharp differences that exist between the Ministry and the Planning Commission over the question of allocations for education in the second Five-Year Plan. While the first estimate of Rs. 1,000 crores was out of all proportion to the available resources, and doubts could be expressed whether the amount could be utilised properly, the Planning Commission has not found it possible to provide more than Rs. 320 crores against the Ministry's revised estimates of Rs. 526 crores for education in the draft second Five-Year Plan, comprising Rs. 225 crores in the States'

plans and Rs. 95 crores in the Central Plan. Though the present allocation is nearly double of Rs. 169 crores provided for education in the first Five-Year Plan, as percentage of the total outlay it is only 6.7 as against 7.2 of the first Plan.

It has been admitted that the country has made no significant advance in education during the eight years of her independence. The failure of the first Plan to achieve satisfactory progress in this field has been attributed to the lack of co-ordination between the Plans of the Centre and the States and the incapacity of some of the States to raise their own resources in order to entitle themselves to matching assistance from the Centre. The net result has been that the gap in their education levels has tended to widen. The clause relating to education in the Constitution laying down that the State is responsible to provide, by 1960, free and compulsory education to all children up to the age of 14, is still expression of a hope, seriously limited by the available resources of finance and teaching staff. Further, as basic education has been accepted as the pattern of national education, it will need all schools imparting traditional education to be converted into basic education institutions to avoid any complexities to the student in higher studies. These and other related problems have to be tackled vigorously.

UNEMPLOYMENT AMONG THE EDUCATED

THE PLANNING COMMISSION'S estimate that at the end of the second Five-Year Plan there will be approximately 560,000 educated persons in search of employment—a little more than the present number—should cause a re-examination of the "Education Plan". What is even more alarming, this figure does not appear to exclude technical people like engineers. It is not clear whether the estimate has been arrived at after taking into account the additional facilities for high school and collegiate education which will become available during the next five years or not. In either case, it is clear that there has been no co-ordination between the Ministries whose schemes will entail demands on the services of technical, administrative and clerical personnel and the Education Ministry's plans. It must be conceded that complete co-ordination will be impossible to achieve in any event. Geographical and other social factors making for immobility of labour will make it difficult to equate, regionwise—at any rate in the lower cadres—the number of people who will be every year coming into the employment market and the number who will be required for each type of work. But certainly there is no reason why, even after these facts have been brought to light, the Government should provide for increasing educational facilities all round immediately—training people for whom jobs cannot be provided or can be provided only by displacing others already in employment.

Apart from this immediate step, some measures will have to be taken if it is not to rear its head again and again. The suggestions made by the Planning Commission's Study Group for improvement in the present system of recruitment for Government posts, provision of hostels in the big cities and establishment of university employment bureaux can all only help in filling up vacancies quickly but cannot increase the number of jobs available. While there need not be any slackening in regard to elementary education, there is a definite need for a re-examination of needs at higher levels. Emphasis on vocational training or technical education may be misleading in the absence of specifications about what particular type of technical training is to be encouraged. This will be possible only by examining the requirements of personnel. A continual re-assessment of these needs should be combined with widespread publicity to changes in them and flexibility in the educational system to switch over to new lines at short notice.

Indian Aluminium Company plans to treble output

Why this expansion ?

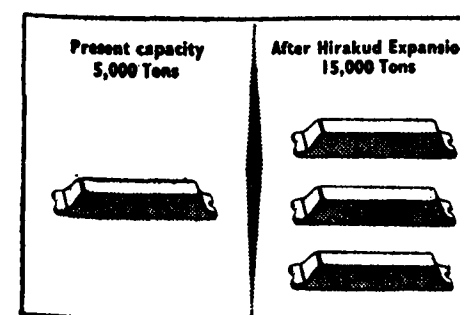
Aluminium has become an important metal today in many fields—from structural engineering to electrical distribution. Experts estimate that by 1960 demand for Aluminium will have doubled, rising to about 40,000 tons per annum.

New Capital Issue

The estimated capital requirements for Indian Aluminium Company's Hirakud project are about Rs. 9 crores. It is proposed to raise a part of these requirements by the issue of new capital in the form of Convertible Notes. These Notes will carry a fixed rate of interest and confer upon the holders of the Notes the right to convert them into Ordinary shares of the Company. The Canadian majority shareholder of the Company, Aluminium Limited, has agreed to take up half of the new issue and the other half will be offered to the other shareholders and the Indian public.

Company's rapid expansion

In order to keep pace with expanding demand, Indian Aluminium Company is increasing its capacity for aluminium production. The new smelter which Indian Aluminium Company is installing at Hirakud, Orissa, will triple the Company's production capacity to 15,000 tons by 1958. In implementing this major project, Indian Aluminium Company will be able to draw upon the resources and know-how of its Canadian associates, Aluminium Limited—the world's largest group of aluminium companies.



Aluminium is facing a bright future in India today. India's vast bauxite deposits and waterpower resources can support a large Aluminium industry for years to come. Harnessing these natural resources, Indian Aluminium Company's Hirakud project will be an important step towards India's goal of self-sufficiency in Aluminium.

Indian Aluminium Company Limited

A Canadian-Indian enterprise

How banking serves the COIR INDUSTRY

PC.438



INDIA is the world's chief producer of coir and coir products, her yearly output being around 130,000 tons. More than half this output is exported, earning about ten crores of rupees in foreign exchange. The coir industry, which is exclusively South Indian, is concentrated in Malabar and Travancore-Cochin, and employs over six lakhs of workers.

Banking has greatly helped in the rapid growth of this industry. The facilities and guidance of a good bank, such as the availability of ready funds when needed, and the collection of dues in any part of the country, are an essential part of good organisation in the coir industry.

We at Palai are proud that so many leading coir goods manufacturers of South India employ the complete banking service we offer.

Current Accounts - Demand Drafts -
Telegraphic Transfers - Investments -
Letters of Credit - Bill Collection -
Deposits - Loans and Overdrafts -
Confidential Credit Reports, etc.

* * *

A L E A D I N G B A N K I N S O U T H I N D I A

If you have business interests in the South, it will pay you to open an account with us. Our 25 branches are strategically located, 23 in important South Indian business centres and two in Delhi and New Delhi; and we have correspondents in all important Indian cities. We offer a fully comprehensive banking service at each office.

Our clients can make deposits at any of our correspondent banks, situated in all important Indian towns, and have the amounts credited to their accounts at any of our branches.



PALAI CENTRAL BANK LTD.

Head Office: PALAI - TRAVANCORE
Branches at: Madras, Madurai, Cochin,
Quilon, Trivandrum, Mangalore, Ban-
galore, etc. Also at: Delhi and New Delhi.

A Window on the World

UN-DOCTRINAIRE SOCIALISM

By

ODYSSEUS

MR HUGH GAITSKELL, new leader of the British Socialists, has elaborated his views on the future of Socialism in a free democracy in No. 53 of "Socialist International Information" (8 Motcomb St., London, SW. 1.) on which I have been commenting in the past two weeks.

In the course of illustrating the differences between Socialist doctrine in 1924, when the first Labour government took office, and today in 1956, Mr. Gaitskell traces the evolution of Labour's ideas about nationalisation.

Few realise that Socialist interest was beginning to move from the general case for wholesale nationalisation towards arguments for transferring particular industries to public ownership as far back as 1931. The reason for this, which shows how un-doctrinaire and intensely practical the British Socialists are, was that with the advance of labour to political power, the party realised that only a limited number of candidates could, with any hope of success at the polls, stand for wholesale nationalisation, and that it was necessary instead to convince the electors that there were good reasons for nationalising particular industries.

The Labour Party's tests for nationalisation were: (1) Was the industry basic? (2) Was it a monopoly? (3) Did it need re-organisation? I cite these tests not because I agree with them but as part of the history of Socialist theory. In parenthesis, I observe that to assert that only a "basic" industry should be nationalised is comforting only as long as you do not ask why basic industries should be singled out rather than any others? Echo answers why? Secondly, a state monopoly is the worst form of monopoly: whereas against a private monopoly you can pass effective anti-trust legislation (as in the USA), when a government gets hold of an industry, it seeks to extract as much profit for "the public interest" (i.e. the budget) as possible, and consumers who forget themselves so far as to complain are branded as reactionaries. Finally, why civil servants (even if their management is concealed under the name of a Public Corporation) would be more likely to re-organise an industry efficiently than business men who stood to lose their all in the event of failure, is incomprehensible. Moreover, that civil servants will not allow an outmoded nationalised industry to fail, and thus be eliminated from the national economy, only saddles the nation with an ever increasing burden on the taxpayer. The argument for nationalising the British coal industry that it needed a big programme of capital expenditure which private enterprise would not undertake "because of the depressed state of the industry" was an argument in favour of private enterprise. For have not successive British governments poured capital into the coal industry, only to witness a steady decline in the output? If those millions had been invested in atomic fuel research, and British coal prices allowed to find their economic level, Britain's economy would be healthier than it is.

BRITAIN'S NATIONALISED INDUSTRIES

However, to resume the outline of the evolution of Socialist thought, Mr. Gaitskell recalls that the argument that the coal industry needed complete structural

re-organisation was stressed during the election of 1945, and was (in the Labour view) supported by a technical report published by an official committee of mining engineers appointed by the war-time coalition government. They recommended that the collieries be grouped into larger units and that extensive technical changes in mining methods be introduced. They did not recommend nationalisation. It was the Labour Party which asserted that only by nationalisation could their recommendations be carried out. Nobody asked whether it was good that a failing industry should be propped up and whether national savings could not better be invested in alternative forms of fuel.

The same arguments were used to nationalise electricity and gas, industries already in part publicly owned by municipalities. The Labour Party argued for larger units embracing both private and municipal undertakings, and they found support for their views in the report of an official committee whose failure to recommend nationalisation as a remedy for the evils that it diagnosed did not deter the Socialists.

The case for the nationalisation of transport was, similarly, that it was a "basic" industry, that pooling would produce greater efficiency in the railways and in the roads, and that "the problem" (sic!) of competition between road and rail could only be solved (sic!) by co-ordination (sic!) under public ownership. Events have not justified these hopes. The British railways cost more and lose more year by year, and year by year the nationalised railway workers ask for higher wages for less work, and the ordinary citizen is given no alternative but to add the cost of the upkeep of the railways to the total that he has to earn in order to pay his taxes.

The nationalisation of the steel industry was, says Mr. Gaitskell, not based on the need for re-organisation, which he admits had already been carried out by private enterprise. (The British steel industry is reputed one of the most efficient in the world, a fact which suggests what happens if you face entrepreneurs with the necessity of making profits or going out of business). Mr. Gaitskell notes that the method of nationalisation in the steel industry left the units of control untouched; the nationalised Corporation was in effect a public shareholding company. "In the short period of its existence," he says, "the Corporation did not greatly interfere with the running of the individual firms, but the fact that 3½ per cent only had to be paid on the bonds issued in compensation to the shareholders undoubtedly saved the industry substantial sums, while it was also in a position to raise fresh capital more cheaply than private enterprise".

Now, I submit that the concept of an industry being required to pay a fixed return is unsound. It produces a state of mind among workers and directors in which all are anxious to stick to tried ways, markets, and products, to keep all unchanged, on an even keel. But an industry on an even keel is a static industry, and a static industry is one that is slipping down hill (to coin an Irishism). Change and growth are imperative for progress and can only be achieved by the prospect

not of regular but of extra profits—of what the economist calls “marginal profits” (see “Profits for Progress”, June 4, and “Change and Growth”, June 11, 1954).

SOCIALISTS APPROVE COMPENSATION FOR NATIONALISATION

But, however mistaken their identification of nationalisation with efficiency may have been, the British Socialists were, in the light of experience, led more and more to emphasise nationalisation in the interests of efficiency, rather than as a step towards the attainment of wholesale nationalisation for its own sake, as the realisation of a doctrinaire Socialist ideal. Mr. Gaitskell says there were two reasons for this: (1) the advance towards equality through heavy income taxes, and the development of the social services; (2) —and this may be thought by some to have special interest for us in India—when an individual industry was nationalised, full and fair compensation was paid to the shareholders. Thus there was no longer any question that the transfer would involve the disappearance of income from property: all that happened was the exchange of a larger uncertain income in the form of dividends for a smaller fixed income in the form of interest. And, says Mr. Gaitskell, although the nationalisation of individual industries with compensation makes some contribution to greater equality since it eliminates all possibility of capital gains and large private fortunes, these “are small changes compared with complete confiscation”.

Mr. Gaitskell frankly reveals that the Labour Party accepted the doctrine of full compensation because this was the “only course compatible with a gradual and democratic approach. It is,” lays down the British Socialist leader, “impossible to justify confiscating the property of particular classes or owners without regard to their wealth simply because they hold shares which happen to be selected for nationalisation. And in fact

no party which proposed to act in such an arbitrary way would have much prospect of being elected to power in Britain.”

Mr. Gaitskell shows how Socialist thought has evolved on the problem of the relation between the boards of nationalised industries and the government. After the collapse of Guild Socialism which aimed at the control of each industry by its own workers, a reaction against earlier Fabian views which were thought to be too bureaucratic, the pendulum of opinion swung back to the centre away from such syndicalist notions, but did not swing over to the idea that a nationalised industry could be run like a government department under the direct control of a minister.

Instead, says Mr. Gaitskell, there has emerged the idea of the public corporation, a body appointed by the minister to manage the industry, under instructions to see that it pays its way, obliged to submit annual reports and to secure the minister's approval in certain matters, but free from interference either by the minister or parliament in its day-to-day activities. Chiefly responsible for spreading this idea was Herbert Morrison in his book “Socialisation and Transport” and also in innumerable discussions within the Labour Party. “Nobody brought home to the Party more clearly the absolute necessity that nationalisation must be efficient, and that its reputation would largely turn on this. Nobody insisted more forcefully that efficiency in the running of a commercial enterprise could not be combined with continual political interference. It is a measure of Mr. Morrison's influence that the Party nationalisation programme carried out in 1945 accepted completely the notion of the public corporation.”

Once again I ask you to note the emphasis that British Socialists lay on the practical rather than on the doctrinaire. Si sic omnes! Which is the Latin for “Are you listening there in the Secretariats of New Delhi?”

A DELHI DIARY

THROUGH OTHER MINDS

THERE are some rare occasions in the life of a journalist when he finds that thoughts in his own mind are exactly expressed by a dignitary whom he has been sent to report. I must confess that in a long journalistic career this has not happened to me more than twice. Perhaps it is that dignitaries move on a different plane from mine intellectually as well as otherwise. So far as “otherwise” is concerned, this is (alas!) all too true in fact; as I expect it is with all other journalists; we are poor, if proud, folk. I am happy this week to have the rare opportunity of presenting my own point of view in the words of a speaker who, I see, in addition to having captured a column in this Delhi Diary by the mere force of his eloquence, has captured space on the front-pages of every daily newspaper. Mr. Malcolm MacDonald still the “new” British High Commissioner in New Delhi has made, it would seem, a remarkable impression upon the Delhi journalistic world. Or can it be that the daily papers of Delhi are beginning to think in terms as close to Mr. MacDonald's as, let us say, a well-known financial weekly? However, the substance of my theme is that Mr. Malcolm MacDonald's address to Delhi Rotarians on Indo-British relations on Thursday put succinctly the case for Indo-British relations in a form which I think needed presenting, not least because of its implications on Indo-Soviet relations. I now quote the kernel of the piece.

MILITARY ALLIANCES

“We British are members of the SEADO Pact and the Baghdad Pact. Most of you Indians criticise those Pacts. You dislike military pacts and military alliances of any sort. Incidentally, this is a question on which you disagree with every other powerful nation on earth. For example, you are just as much in disagreement about it with the Russians as you are with the British.

“I have read reports in newspapers which seem to suggest that some commentators on public affairs declare that Russia and India think alike on military pacts. That is, of course, nonsense. The Russians are the leading members of two military alliances—the Russo-Chinese Treaty in Asia, and the network of military arrangements which culminated in the Warsaw Pact in Europe.

“As I say, the subject of military pacts is one on which there is a divergence of view between the British Government and the Indian Government. It is an honest difference of opinion. We British think sincerely that in certain circumstances military pacts are helpful in strengthening security against possible armed aggression. The purpose of these pacts is purely defensive. You Indians on the other hand think, with equal sincerity that such pacts are a mistake; that they are more provocative than protective; that they increase international tension instead of decreasing it and that they might even stimulate the very aggression and war which they are intended to prevent.

“Why do we hold contrasting views on military alliances? I think that the disagreement springs partly from differences in our past experiences. In Europe, in our own lifetimes, we have had bitter experiences of military or semi-military aggressions committed by nations who professed to be peace-loving.

“It is a simple, undeniable fact that the aggressive communist advance was only halted when the democratic peoples of Western Europe supported by Canada and the USA formed a military pact which warned the would-be aggressors that force would be resisted by greater force. Nor was there anything immoral in

the free governments' conduct. Regional collective security pacts for self-defence are specifically authorised by the UN Charter.

“So we in the West have learnt by harsh and very recent experiences that defensive military pacts are sometimes valuable contributions to our self preservation. In a dangerous world we think that it is prudent to support such pacts in other areas which appear to us to be threatened by possible aggression. Therefore, we support the SEADO Pact in S.-E. Asia and, too, the Baghdad Pact in the Middle East. Let me make quite clear, beyond any doubt, three points about our policy in those pacts.

“First, the purpose of the pacts is to protect the freedom and independence of the small nations in the areas concerned. We believe in the right of the peoples of the Middle East and of South-East Asia to enjoy the same liberties as you in India and we in Britain enjoy.

“Second, the military clauses of the pacts are wholly defensive. They will never be used for aggression. So, if other governments do not attempt military aggression, these clauses will never come into operation and be used as instruments for waging war.

“Third, the provisions of these pacts are not only military; there are important economic and social clauses as well. They provide that the members of the treaties shall co-operate in schemes of economic development and social progress, so that the peoples of the areas involved can look forward to higher standards of living and of social welfare and education. Of course, the most effective way of ensuring security and contentment amongst peoples is to create economic and social conditions in which they can live happily. That is one of the objects of our pacts. Their grand purposes are to strengthen peace and to spread prosperity.”

THE THOUSANDTH TRAINEE

I have two personal notes to add to this description of political affairs in Delhi this week. There was a delightful opportunity provided by Mr. Malcolm MacDonald on Wednesday for pressmen to meet Mr. B. I. Singh, the thousandth Colombo Plan trainee, who is going off to Glasgow to acquire some new learning on the working of blast-furnaces (or is it re-rolling?). It was good to see a Scotsman in form. Mr. MacDonald prophesied that Mr. Singh would return not only with great new technical knowledge but also with a broad Scotch accent added both to his English and to his Hindi. I have heard the Scotch accent added to the King's English. But my curiosity was certainly aroused at the suggestion that it is now to be applied to classical Hindi. Long may the Colombo Plan lead to technical and linguistic co-operation!

FROM HERE TO THERE

As an example of the way in which nationalisation works, I append, I believe, as a faithful copy of the original, a note which a recently appointed Custodian of Insurance wrote to a General Manager of an Insurance Company which has been taken over. It read as follows:

“Dear Sir,

It is noted that certain items of furniture which are the property of the Company are now located in your house.

You are now directed to transfer the furniture from your house to my house.

Yours faithfully,
(Custodian)”

Has nationalisation made public property more privately public or more publicly private?

ARGUS.

TALKS ON SKIN BEAUTY

Exercise and fresh air are Essential for
Keeping Your Complexion Young and healthy.

But Your Skin Also Needs External Care.

Mysore Sandal Soap

Made from the finest ingredients,
Cleans and tones up Your Skin and Complexion.

Try a Cake to-day

MYSORE SANDAL SOAP

ESSENTIAL FOR SKIN BEAUTY

Available at all leading Stores

Government Soap Factory

BANGALORE

Member: I.S.T.M.A.

Economic Report from the U. S.

1956 ECONOMIC SCENE

(By Guy Sims Fitch)

WASHINGTON, Jan. 31.—What credit and monetary policies are likely to influence the American economic scene in 1956? Economists and business men have found no precise answer to this question so far. The annual economic report President Eisenhower sent to Congress last week provides no clear-cut clues. On the one hand, it notes that terms for the purchase of new homes are being liberalized, and recommends that Congress further ease housing and mortgage regulations. On the other hand, it recommends that Congress authorize new direct controls over consumer credit, to be imposed by the Administration, when and if the situation warrants—a device that has not been used since 1952. But there is more logic to this seeming discrepancy in policy than may appear on the surface. These differing approaches arise from the still fluid state of the US economy as 1956 gets under way.

Washing of home purchase terms to allow a 30-year instead of a 25-year repayment period reflects the fact that residential construction now is 16 per cent below the January 1955 rate. Building may pick up again with warmer weather, of course. But if it does not, an important economic crop will have been weakened. This also could affect adversely the demand for appliances, furniture, draperies, floor coverings, plumbing supplies and other items that go into the construction and furnishing of houses. Over-all demand for labour and goods, however, remains strong, and is still putting pressure on wages, costs, supplies, prices and industrial facilities. The threat of inflation has by no means passed, and it could conceivably grow rather than diminish. The record expansion and modernization programme being launched by American business men this year, for instance, could further complicate the supply situation in both manpower and materials. It is worth noting that the stability of consumer prices in the past year has been due in large measure to the declining cost of food, which accounts for about 30 per cent on the average household budget. Industrial materials have risen some 5 per cent on the average. Business men report that prices of such products as steel, zinc, lead, paper, oil and cement still are going up. The Federal Reserve Board, principal instrument of government monetary policy, is obviously well aware of these conditions, and of the fact that last year's record volume of sales was supported to a large extent by a 20 per cent rise in consumer credit. Such other factors as a 19 per cent boost on bank loans to business and an 18 per cent increase in home mortgages also contributed to the high level of economic activity.

It is true, of course, that high rate of borrowing and spending stimulates demand for goods and services, creating more jobs and higher wages. But too much borrowing by too many people can overemphasize the demand side of the economic equation, squeezing the supply side out of all proportion and leaving the economy vulnerable to even moderate fluctuation in business conditions. At the moment, there is little likelihood that this will happen. Consumer incomes still are rising, the pace of credit expansion has slowed somewhat in recent months, and loan liquidations are proceeding at an orderly and sound rate. In fact, some leaders of business and finance—particularly in the automobile field—have been urging a loosening rather

than a tightening of credit policies. The Federal Reserve Board, however, is sitting tight for the present with its policy of moderate restraint. This has involved largely the rising of bank interest rates to cut down on the volume of loans, and cautions to banks and other private institutions against lending too freely on automobiles and other consumer goods. In addition, government securities have been sold in order to draw lendable funds out of banks.

What the future policy will be may well depend on the course of economic activity in the months ahead. The aim is to keep the economy moving upward while steering it safely between excesses of inflation and recession—an admittedly difficult task with an economy that is already operating at close to capacity. This is in line with President's observation in his economic report: the best way to fight these excesses is to keep them from occurring.

RECORDS & STATISTICS

(QUARTERLY BULLETIN)

Editor: R. V. MURTHY, M.A.

"The Eastern Economist" Bulletin of Records and Statistics surveys economic trends in each quarter in India and abroad with the aid of graphs and all available statistics. One of its special features is the Investment Supplement.

Annual subscription	Rs. 12
For subscribers to "The Eastern Economist"	" 10
Single copy	" 3

Copies can be had from all important Booksellers and Railway bookstalls of Messrs. A.H. Wheeler & Company

For details write to:

THE EASTERN ECONOMIST

NEW DELHI: 52, Queensway.

BOMBAY: Kermani Bldg., Sir P.M. Road, Fort.

CALCUTTA: 28 & 29, Royal Exchange Place Extn.

LONDON: 3, Salisbury Court, Fleet Street.

NEW YORK: 25, Broadway.

THE LARGEST AND FULLY EQUIPPED TEXTILE MILL IN EASTERN INDIA

Specialising in

**COTTON SAREES AND FABRICS IN ATTRACTIVE
DESIGNS AND PRINTS, DHOTIES, SHIRTINGS
AND HOSIERY PRODUCTS**

KESORAM

(Classic Cottons)

KESORAM COTTON MILLS LIMITED

Managing Agents

BIRLA BROTHERS LIMITED

8, Royal Exchange Place, Calcutta.

READY FOR SALE!!**THE MADRAS STOCK EXCHANGE
OFFICIAL YEAR BOOK 1955-56****(Enlarged Edition)****FOURTH YEAR OF ISSUE****(Balance Sheets and other Particulars received upto 15th December 1955,
incorporated giving latest information)****646 Pages****PRICE: Rupees 7/8****(Postage Extra Rs. 2/8)***Compiled by***THE MADRAS STOCK EXCHANGE ASSOCIATION LIMITED****322-323 Linghi Chetty Street : : MADRAS-1***Available with :***ALL MEMBERS OF THE ASSOCIATION***and at Bombay with :***J. R. MOTISHAW,
32, Apollo Street;
Fort, Bombay.***and***P. R. SUBRAMANYAM,
70-A, Stock Exchange Building,
Apollo Street, Fort, Bombay.****THE RAMAYANA
OF
TULSIDAS
IN ENGLISH VERSE****LATEST "HINDUSTAN TIMES" PUBLICATION*****The famous Hindi epic regarded by many as "the greatest book in all devotional literature" is for the first time now available in English verse.***

The translator, the Rev. A. G. Atkins, completed the book after ten years of devoted work. He has tried "to keep and express in English in the fine rhythm and music of the original in simple lucid language, and with as much of the vivacity, wittiness and picturesqueness that Tulsidas has put into his work." He has also followed in some measure Tulsidas's metrical variations such as *chhand*, *chaupal*, *doha* and *seratha*.

In a foreword Mr C. Rajagopalachari says: "Mr Atkins' monumental work and his Introduction are a revelation of hope for those who desire to see all the great religions of mankind come together. . . . His service is not only to English-speaking people but also to that very large number of Hindus in India who do not speak the Hindi language and to whom English has become a very familiar medium."

The book is of special value to libraries, scholars and devotees of Tulsidas.***It has been issued in the following four editions:***

- I. Original text of Tulsidas with translation in English verse; three volumes; 1468 pages; price Rs. 50 net.
- II. Translation in English verse; without Hindi text, two volume; 898 pages; price Rs. 40 net.
- III. Special tissue paper edition of I, one volume, price Rs. 100 net.
- IV. Special tissue paper edition of II, one volume, price Rs. 100 net.

POSTAGE EXTRA*The Manager,***THE HINDUSTAN TIMES,
NEW DELHI.****WORLDGRAM****AGRICULTURE**

Better Quality Jute: It is learnt that the Government of India plans to increase Indian jute production to 6 million bales. The Government has indicated readiness to share expense of jute development centres on a fifty-fifty basis with States. The scope of the effort is indicated by the proposal to provide 16,000 new retting tanks and renovate over 8,000 old tanks in jute growing areas of India. To help in cultivation, the plan calls for manufacture and distribution of over 7,000 cheap seed drills and an equal number of weed hewers. Concern of authorities over upgrading quality is encouraging to mills and to consumers of jute goods from India.

Kudzu Vine—A Nutritive Fodder: The kudzu vine makes a nutritive green fodder. It is rich in protein, calcium and phosphorous. Trials show that it provides a good green fodder in April and May, a period when green fodder is scarce, especially where there is no irrigation. At the Indian Agricultural Research Institute, kudzu yielded 447 maunds of green fodder per acre in three cuttings, taken in April, August and October. The vine also makes excellent hay. As green fodder or hay, it is liked by cattle. Kudzu, however, does not stand frequent and close cuttings. It would be a good practice to cut it twice or thrice a year. If regular cuttings are desired, two to three maunds of ammonium sulphate per acre per year should be applied. This will help the plants maintain a high production of green fodder.

Steps for Control of Brinjal Pest: The Epilechna beetle is a serious pest of brinjal. This beetle damages young seedlings in the nursery during the rainy season. The pest can be controlled by hand-picking the adults and grubs and by destroying the eggs of the pest found on the leaves. An effective way of controlling the pest is to dust the crop with sodium fluosilicate by mixing one part of the chemical with eight parts of ordinary ashes. Dusting with 2 per cent DDT has also been found effective.

Care in Pulling out Tobacco Seedlings: A week before transplanting, reduce the watering to seedling-beds. This will harden the seedlings. Water the beds a few hours before lifting the seedlings. This will make it easy to pull them out. All seedlings in the bed will not be of the same size. Remove only those that are ready. Pull out without damaging their roots. Six-inch high seedlings with five to seven leaves are good for cigarette tobacco. Smaller seedlings would do for bidi tobacco.

INDUSTRY

U.S. Industrial Output: U.S. industrial production remained at the same level as last month. The Federal Reserve Board industrial production index remained at the record reading of 144 per cent of the 1947-49 seasonally adjusted average that it had reached in November, 1955. A slight fall in the output of durable manufactures was offset by an increase in minerals production. Production of durables dropped one point to 160 per cent from the November high of 161. Output of minerals advanced two points to a new peak of 127, while soft goods were unchanged at a record of 130. Industrial production in 1955 was 39 per cent above the 1947-49 base period. The 1955 volume was 11 per cent greater than the 1954 total.

Big Expansion in U.K. Steel Production Foreseen: The British Iron and Steel Board expects steel production to increase by more than 3,000,000 ingot tons in the

three years 1956 to 1958, said Mr. Peter Thorneycroft, President of the Board of Trade, in the House of Commons on January 26. Within this overall figure, there would be a substantial increase in sheet capacity and some increase, towards the end of the period, in plate capacity. In view of the growth of the engineering industry and the orders recently received by the U.K. shipbuilding industry in particular, demand for steel is going to rise.

Deepest Well in India: Well No. 12 at Naoholia, in the Hugrija oil prospecting licence area of Upper Assam, has set a new record in deep drilling operations in India according to Assam Oil Company. At its present depth of 11,855 feet (nearly two-and-a-quarter miles) the new well, which is not yet completed, easily beats the record previously held by Assam Oil's Nahorkatiya No. 1 (discovery) Well, which went down to 11,715 feet in 1953. If it goes beyond 12,666 feet (the depth of Lakhra No. 1, in Sind, Pakistan) it will become the deepest well ever drilled in Asia. Well No. 12 started drilling on November 3, 1955, after a ceremony performed by Shri R. K. Ramdhyani, Secretary, Ministry of Natural Resources and Scientific Research, Government of India. Operations at the site are continuing.

Iron-Ore Deposits in Orissa: Nearly 27 million tons of iron-ore, it is estimated, occur in the Tomaka and Kansa areas of Cuttack district in Orissa, according to a preliminary investigation carried out by the Geological Survey of India. A correct idea of the potentialities of the area, however, will be available only after exact demarcation of the zones of varying concentration of ores based on systematic exploration. Also in the same district, 2 to 3 lakh tons of iron-ore are expected to be available from the deposits near Tungaisuni and Dodasil. Besides, about 20,000 tons of fairly high grade ore occurs near Kharipadia, 5 miles south of Sukinda. Further work in this area, it is stated, is bound to increase the estimate of reserves several times.

Iron-Ore Deposits in Andhra: According to a survey carried out by the Geological Survey of India in the State of Andhra, deposits of iron-ore occur in a triangular strip of country between Takkellapadu, Gandrayi and Shermunammadpeta villages near Jaggayapeta. The total iron-ore in this area is estimated at 13½ lakh tons, half of which is reported to have been removed by the time the survey began. Analysis has revealed that the ore is of good quality, containing above 60 per cent iron, but, it is pointed out, at the present rate of exploitation the area is likely to be depleted of its reserve within a short period.

TRADE

Motor Tyre Imports: The Government of India has announced its decision to allow additional import of motor tyres and tubes, giant tyres and tubes and bicycle tyres only in all sizes and ply ratings on an ad hoc basis through the established importers other than tyre manufacturers. Any additional licences granted under this notice would be subject to the condition that not more than 40 per cent of the face value of it could be utilised for the import of bicycle tyres.

Import of Raw Rubber: The import policy of the Government of India in respect of raw rubber for the first half of 1956 will be the same as during the licensing period July-December, 1955. Licences will be granted to actual users and on an ad hoc basis for the following grades of rubber, crepe rubber other than

sole crepe, sheet rubber, scrap rubber, latex, synthetic rubber and reclaimed rubber.

Export of Petroleum Products: For the first time, India exported about 78,000 tons of motor spirit and 1,23,000 tons of furnace oil during the second half of 1955. The main importers were Pakistan, Burma, the Philippines, Australia and Ceylon. The exports were permitted as there was a net surplus after making provision for adequate stocks for the country's requirements. The output of these products at the Burmah Shell and Standard Vacuum refineries in Bombay together with that of the Digboi refinery in Assam during this period was in excess of the country's needs. The two refineries in Bombay, it will be recalled, went into full production last year.

"Ghost" Indents for Wagons: The South-Eastern Railway authorities in a recent surprise check discovered nearly 1,000 "ghost" indents for good wagons registered by the trade in a small section of the Railway. In the area served by the Raipur-Dhamtari section of the Railway, outstanding registrations for wagons suddenly went up by over 60 per cent in a 10-day period during December 1955. Suspecting deliberate inflation in the demand for wagons, the railway authorities decided to meet the demand. Concentrated heavy allotment of wagons was made to satisfy this demand. The result was that all the wagons offered were not taken up by the trade. Nearly 1,000 inflated indents were cancelled. The registration fee paid by indentors with each indent was forfeited. Speculative interests in different parts of the country frequently registered bogus indents for wagons, far beyond their genuine needs, in the hope that by thus depriving possible rivals of available wagons, they could manipulate the prices of commodities to their advantage.

Import of Cement from Soft Currency Areas: The Government of India has under consideration a proposal to facilitate the import of cement during the current half year for being sold through importer-distributors to be nominated for this purpose. Offers are invited before February 5, 1956, for the import of cement from soft currency areas. The minimum quantity for which offers will be accepted is 25,000 tons. The offeror will have to enter into a contract of sale with the importer-distributor selected by the Government of India.

FINANCE

Central Aid for Development of Village Leather Industry: The Government of India has sanctioned loans and grants totalling over Rs. 10,33,000 to the five States—Punjab, Madhya Pradesh, Bihar, Hyderabad and Madhya Bharat—and the All-India Khadi and Village Industries Board for the development of the village leather industry. Punjab gets a loan of Rs. 3,50,500 and a grant of Rs. 3,06,300. A loan of Rs. 29,780 and a grant of Rs. 23,300 have been given to Madhya Pradesh. Bihar gets a grant of Rs. 21,340 and a loan of Rs. 14,880. For establishing two model tanneries in Hyderabad, the State has been given Rs. 18,000 as loan and Rs. 12,000 as grant. Madhya Bharat has been sanctioned a grant of Rs. 22,870, a major portion of which is for two demonstration parties and for the construction and repairs of 120 tanning pits in the State. The All-India Khadi and Village Industries Board gets a loan of Rs. 1,25,000 and a grant of Rs. 1,10,000.

Indo-Ceylon Agreement on Avoidance of Double Income-Tax: An agreement on avoidance of double income-tax has been reached between official delegations representing the Government of India and the Government of Ceylon. The talks between the two delegations began on January 16 and were concluded on January

25. The Agreement will now have to be ratified by the two Governments before it comes into force.

Peak U.S. National Income: The United States national income in the third quarter of 1955 rose to an annual rate of \$326,000 million, the highest on record, according to the Department of Commerce. The Department said that the annual rate for the three quarters combined approached \$320,000 million. The full-year totals in previous years were \$300,000 million in 1954 and \$304,000 million—the previous highest—in 1953.

GENERAL

Extent of Unemployment in Bihar Towns: The largest group among the unemployed in Bihar towns was constituted by those who had read up to middle school standard, according to a survey conducted by the Bihar Unemployment Committee in 1954. The matriculates—17 per cent of the total employed—formed the second largest group. The first category formed 31 per cent. The unemployment in towns having a population of more than one lakh was acuter than in towns with population varying between 20,000 to one lakh. The investigation was conducted by the Committee among 4,716 families spread over 15 towns and representing different classes. Thirteen per cent of the total unemployed were illiterate; 12 per cent had attained primary standard and 11 per cent were literate. 15.4 per cent of the employable males were affected by unemployment and 1.8 per cent of the females willing to work could not find employment. Seven per cent of the employable males were partially unemployed being engaged in part-time work. It was, thus, discovered that 22.4 per cent of the employable males were affected either by unemployment or under-employment.

Greater Emphasis on Staff Welfare in Railways: A new orientation is to be given to the railway personnel organisations throughout the country, with greater emphasis on staff welfare measures as distinguished from mere establishment matters. This re-orientation of approach to the staff has been decided upon by the Railway Board in the belief that during the second Five-Year Plan period the best possible results from individual members of the railway staff can be obtained only by winning their personal goodwill. In a directive issued to the various Railway Administrations, the Railway Board has suggested the allotment of a whole-time officer for personnel work in each railway district, which is the smallest unit of railway administration. The Railway Board's directive is based on certain recommendations made by the Railway Corruption Enquiry Committee.

U.K. National Health Service: The report of the five-man committee under the chairmanship of a Cambridge economist, Mr. C. W. Guillebaud, which was set up to inquire into the working of Britain's National Health Service (NHS) and make recommendations, was published in London on January 25. After two-and-a-half years' consideration of the cost, efficiency, and future of the health services, the committee finds them to be working satisfactorily.

Malaya's Five-Year Plan: The Federation of Malaya's Five-Year Development Plan will be ready in about two months according to the acting Minister for Economic Affairs, Mr. M. K. Johari. The Plan is based mainly on the recommendations made by the World Bank mission which visited Malaya in 1954. About one-fifth of the Plan is now completed and the rest will be drawn up shortly.

NEWS IN BRIEF

INDIAN

Mr. N. S. Lokur, Chairman of the Railway Rates Tribunal, has been appointed a one-member shipping Rates Advisory Board to examine and report on the proposal of the Bombay Steam Navigation Company (1953) Ltd., for an increase in the existing passenger fares on the Konkan trade.

The Government of India has sanctioned the establishment of a co-operative sugar factory in Gurdaspur district, Punjab. The State Government has decided to set up the factory before 1957. It is estimated to cost over a crore of rupees.

The Rs. 2.93-crore Patri Power Station—U.P.'s first major power project to be completed under the first Five-Year Plan—was formally inaugurated by the State Chief Minister, Dr. Sampurnanand, on January 28.

Nearly 350 workers are now engaged in constructing the nine-mile marginal bund along the Jamuna which will protect Shahdara town and the neighbouring colonies and villages from floods.

Norway is still anxious to give economic aid to India despite temporary suspension of credits for the India Fund, according to Mr. Halward Lange, Norwegian Foreign Minister. The Fund has at present sufficient capital to cover expenditure until July 1, 1957.

Mrs. Alva Myrdal, Minister for Sweden in India, paid a visit to the office of the Central Social Welfare Board on January 24, and met Shrimati Durgabai Deshmukh, Chairman of the Board.

Shri K. B. Lall, I.C.S., Joint Secretary, Ministry of Commerce and Industry led the Indian Delegation to the 8th Session of the Committee on Industry and Trade of the Economic Commission for Asia and Far East. The Committee met in Bangalore from January 24 to January 31, 1956.

As a gesture of goodwill and friendship towards India, His Excellency Dr. Franz Bluecher, Deputy Prime Minister of the Federal Republic of Germany presented a model of a Dental Van to the Government of India during his recent visit to the capital.

A special postmark was used at the General Post Office Bombay, Calcutta, Madras, New Delhi, Lucknow, Kanpur, Bangalore and Coimbatore between January 25 and February 2 on the occasion of the ninth Congress of the International Society of Sugarcane Technologists which was held in New Delhi from January 25.

One thousand, one hundred and fifty gift parcels weighing about seven chhattaks each, have been despatched to Indian military and civilian personnel serving on the National and International Delegations in Indo-China, on the occasion of the Republic Day.

The President gave his assent to the Vindhya Pradesh Bhoodan Yagna Bill, 1955, on January 5. The Bill seeks to give statutory recognition to the donations of land and their distribution to landless persons.

The assertion that the existing wheat stocks with the Government of India and the firm commitments it had already entered into for further supplies were more than enough to meet the effective demand for his food grain until the next harvest was made by Mr. A. P. Jain, Union Minister for Food and Agriculture, on January 21.

FOREIGN

The Soviet Union has expressed its readiness to resume full participation in the World Health Organisation from which it withdrew as an active member in February 1949.

Britain last year imported over 724 million lbs. of wool, the largest amount since 1953, the International Wool Secretariat has announced in London.

A 12-Nation Conference will open in Washington on February 27, to discuss President Eisenhower's "atoms-for-peace" plan.

Mr. Eugene R. Black, President of the International Bank for Reconstruction and Development, arrived in Cairo on January 27, on an invitation from Colonel Nasser, Prime Minister of Egypt, for further discussions on the Aswan High Dam project.

The United Kingdom has become the ninth nation to complete action necessary for membership in the International Finance Corporation, the affiliate of the World Bank, which will come into being when it has a membership of 30 countries subscribing a total of at least \$75,000,000.

The appointment of Mr. Ernest Bell, veteran British trade unionist, as chief of the Workers' Relations Service of the International Labour Organisation has been announced by the Director-General of I.L.O., Mr. David A. Morse.

Switzerland has become the seventeenth country to ratify UNESCO's Universal Copyright Convention. The convention which came into force on September 16, 1955, establishes standard copyright provisions for literary, scientific and artistic works.

A new "Staff College" for study and training in economic development was opened in Washington on January 9. Known as the Economic Development Institute, it has been organised by the World Bank, with financial assistance from the Rockefeller and Ford Foundations.

The U.N. Economic and Social Council's Commission on International Commodity Trade has recommended to the Secretary-General that it should hold its third session in New York from May 7 onwards.

Czechoslovakia is the seventeenth country to become a party to an international convention designed to facilitate the importation of commercial samples and advertising materials.

The Central Government of Pakistan has sanctioned the payment of a sum of three million rupees to the Government of West Pakistan for the implementation of approved social uplift schemes of the former Punjab area.

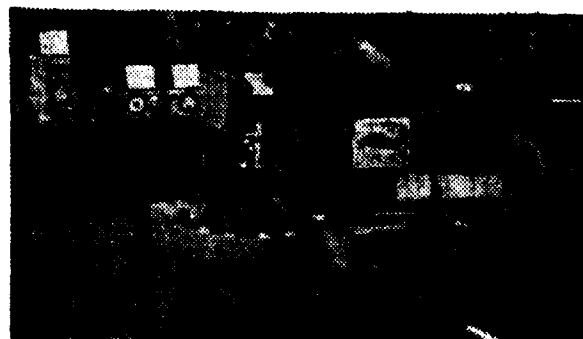
The Food and Agriculture Organisation of the United Nations has sent Dr. D. M. Currie to investigate the possibility of vegetation cover for arid zones in Pakistan.

an invitation to industrialists...

India is on the threshold of a period of tremendous industrial growth and expansion. Those who have faith and courage in the future and who are prepared to join the mighty adventure of rebuilding the nation will find much at Hannover — methods, materials and machines — that can help hasten her to prosperity.



28th April
to 8th May
1956



No less than 4000 European and overseas manufacturers will show their latest technical advances and up-to-date production methods at the German Industries Fair 1956.

Groups exhibited: Mechanical Engineering, Electrical Engineering, Chemistry, Rubber, Precision Mechanics and Optics, Iron and Steel, Tools, Office Equipment, China, Ceramics, Glass, Jewellery, Silverware, Cutlery, Clocks and Watches.

Nearly 80% of German exports to India are produced by the groups participating in the Fair.

visit



German

Heavy and Light Industries

For full particulars & entrance tickets
write to the Official Representatives of the Fair

AJANTA ADVERTISING

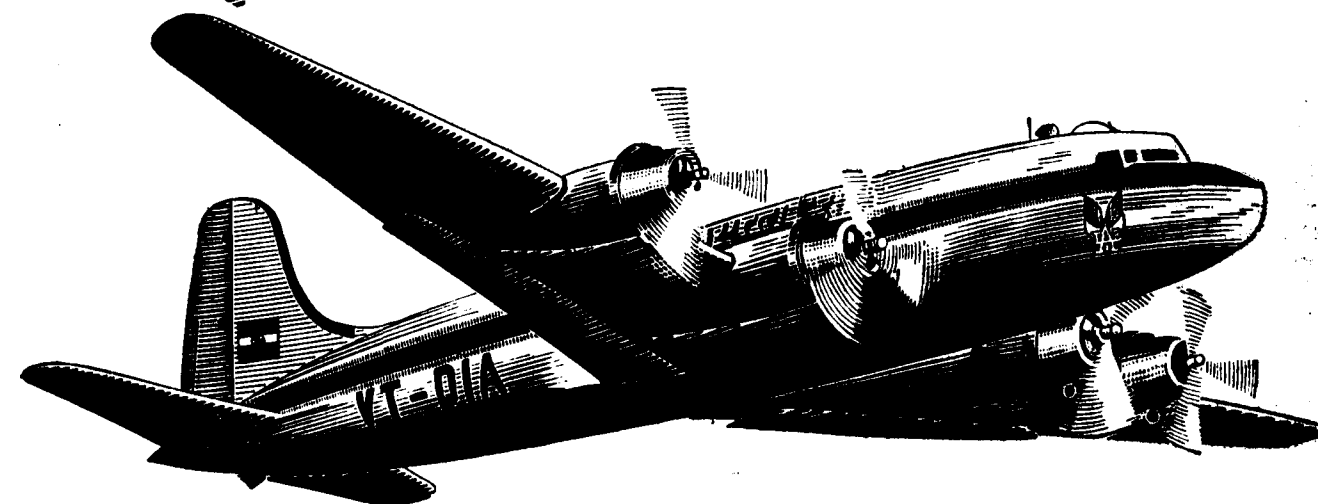
Lakshmi Building, Sir Phirozeshah Mehta Road,
Bombay 1.



INTERNATIONAL PARTICIPATION

Industries Fair • Hannover

Reach any city in India by midday tomorrow



Luxurious new *Skymaster* night service connects 5 cities
— gives choice of 34 morning flights onwards

SAVE precious time and unnecessary expenditure on the way — fly overnight by new, luxurious Skymaster service, connecting Bombay, Delhi, Calcutta, Nagpur and Madras.

The new service cuts out irritating overnight stops, lands you in time for breakfast — and it is carefully scheduled to connect with 34 morning flights from the five big airports. So by midday tomorrow you can reach almost any important town in India!

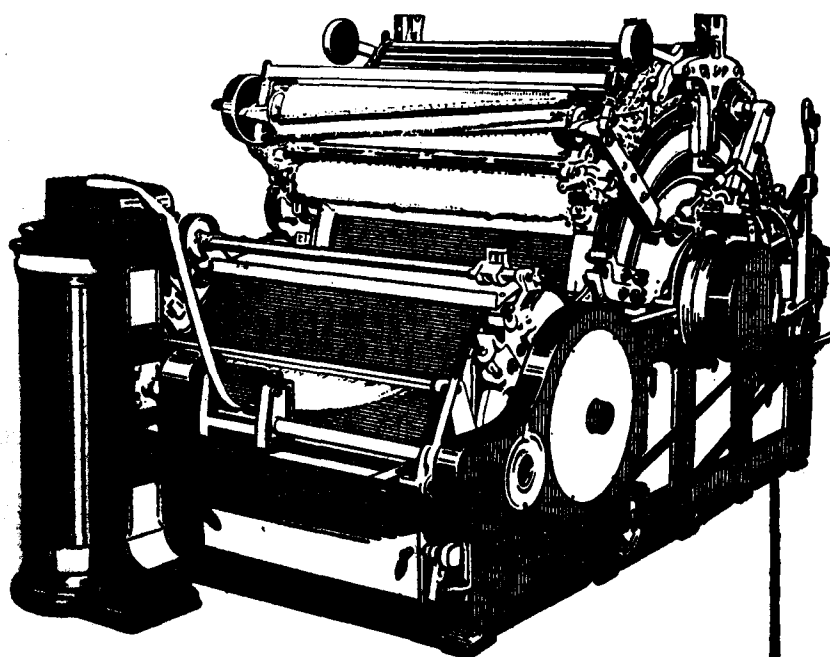
Wherever you want to go, whichever flight you choose — Skymaster service makes sure you get there in time! And you have complimentary meals, free travel to and from airport, everything. No extras to pay.



For details contact an IAC Booking Office
or your Travel Agent

INDIAN AIRLINES CORPORATION

Malhotra Building, Queensway, Delhi
Telephone: 40071 (4 lines)

MMC**revolving flat cards**

are now being extensively used
in Textile Mills in India.
Their efficiency is undisputed,
their reliability guaranteed.

Outstanding features

- 1 Five distinct setting points, used singly or in combination to control setting to .001 inch.
- 2 Johnson bronze bearings for cylinders and doffers. Roller bearings to cylinder; ball bearings to doffer and ball bearing comb box also provided as optional equipment.
- 3 Ball bearings to lick-in pedestals.
- 4 Self-lubricating 'O-lite' bearings at several locations.
- 5 William's patent stripping motion for flats.
- 6 Drop lever with new disengaging handle.
- 7 Fluted lap roller with positive gear drive from feed roll helps uniform feed of lap at the back with minimum possible stretching.
- 8 Cards can be geared for any production in a mill organization.

MACHINERY MANUFACTURERS CORPORATION LTD.

Factory: Senai Works, Kidderpore, Calcutta 23.

Managing Agents:

MAHINDRA & MAHINDRA LIMITEDHead Office: Gateway Building, Apollo Bunder, Bombay.
Calcutta Office: Hall & Anderson Building, Park Street.

PSMMC-2A

Fly TWA Now
and Save

Before fares
go up
on
MARCH 1st

Fly the Finest...

FLY TWA
TRANS WORLD AIRLINES
ASIA • AFRICA • EUROPE • U.S.A.

Saha & Rai Travels Ltd., Hotel Ambassador New Delhi. Reservation & Booking—Phone 45121/7.

The Business World**PSYCHOLOGY IN CEMENT INDUSTRY**

By
CROESUS

"THIS looks more like a political meeting than a meeting of shareholders of an industrial undertaking", observed Mr. Dharamsey M. Khatau when he rose to reply to the shareholders of the Associated Cement Companies, Ltd., at the Nineteenth Annual General Meeting of the Company (on Friday last) over which he presided. I daresay the same remark will hereafter be repeated by one Chairman of an industrial undertaking after another. For no shareholder seems anymore to pause and think whether or no a given industry is listed in the Government Statement on Industrial Policy—present or prospective—as a possible victim of nationalisation. He has become mortally afraid that any company in which he holds shares may be nationalised any time without any notice whatsoever. No less is he afraid that Government might not also give adequate compensation following such nationalisation.

This psychology amongst the investing public is no doubt unfortunate, but the determined—and may I add also hasty?—translation into action of the Socialistic Pattern of Society philosophy by the powers-that-be is that direct and immediate cause of it all. But, I feel, no single action of Government so far has been more directly responsible for generating this psychology than the nationalisation of insurance through an ordinance. One heard repeated references to this by almost every shareholder who spoke at the ACC annual meeting and the shareholders also warned the ACC Management to beware of a similar fate overtaking the cement industry. Actually one shareholder was worried that, as a result of nationalisation of all life insurance companies, Government had overnight become a substantial holder of ACC shares. (This is variously estimated at around 10-15 per cent of the total number of shares). He was afraid that, by reason of this, Government might start interfering too much in the internal management of the Company. So, it is not only managing agents or business spokesmen who look askance at Government intervention; there are quite a few common men outside their fold who also share such a view.

Another feature of this year's ACC annual meeting that must have struck anyone present was the unanimous voice of the shareholders against issue of fresh shares at a premium by the Company. Although the shareholders knew it and were there specifically to participate in an extraordinary general meeting scheduled to come immediately after the annual general meeting for adopting a special resolution to increase the ACC capital from Rs. 16 crores to Rs. 30 crores and issue 6,35,928 shares at par, subject to the consent of the Controller of Capital Issues, fears were expressed that Government might insist on the Company issuing these shares at a premium. In sooth, the unqualified mandate of the shareholders to the management was to insist on the issue of these shares at par and to reject the demand of Government, if any, for these shares being issued at a premium. Even an alternative suggestion put forward to the management to think of raising a loan, if need be, to meet the expansion needs of the company! And some extreme elements went so far as to ask why the Company should at all go in for further expansion in the light of the prevailing uncertainties.

One often hears Government spokesmen asserting that views advanced by managements are their own

and not those of shareholders. How I wish at least one such spokesman was present at this meeting. He would then have noted, much to his surprise, I am sure, that the views expressed by managements are but a very mild and temperate version of, very often, the extremist sentiments voiced by shareholders. He would not have failed to note too the sobering influence that experienced business men like Mr. Dharamsey are capable of exerting on an almost unruly body—as they sometimes become—of shareholders, if I may say so, without meaning any offence to them.

Both in the Chairman's address and in the replies that Mr. Dharamsey gave, he made a few points crystal clear, and it is just as well that he did so.

In the first place, he unequivocally complained about some of Government's hasty and, at times, ill-conceived economic measures.

Secondly, he left no room for doubt in any one's mind that "whether it is a question of raising the general standard of living or of avoiding inflation in the wake of deficit financing of development in the public sector, the sine qua non is continually increasing production" and that "towards this end, Free Enterprise has played its part and will continue to do so", notwithstanding the "handicaps imposed upon it", and "even within the limited scope permitted to it". This was no empty platform oratory, as the annual meeting amply demonstrated. When some shareholders questioned the wisdom of the company embarking upon expanding its installed capacity almost two-fold—from 2.9 million tons to 5.2 million tons—Mr. Dharamsey categorically answered that there was great need in the country for more cement and, being one of the foremost producers of cement in the country, the ACC could not afford to shirk its responsibility and neglect its duty of increasing cement production. No enlightened industrialist or business man ever believed, or believes, in cutting one's nose to spite another's face. It is not the ideologist's or the politician's monopoly to think of the good of the country as a whole. I hold the spokesmen of Free Enterprise one higher, because they don't stop at thinking and talking as do ideologists and politicians, but go a step further and act.

Thirdly, the ACC Chairman did his utmost, both in his speech and in the replies he gave, to convince shareholders that it is no use resisting the Government; at the same time, he reminded the Government that the achievement of the role allotted to the private sector—he had no doubt that this would be quite significant—would "depend, to a large extent, on the broadbased backing of the Government; on wise planning and sound fiscal and political policies, on full and unstinted co-operation from labour, and on the uninterrupted flow of savings and investment year after year". As he rightly underlined further, "in all these matters, the most effective single factor will be the plans and policies of the Central and State Governments in relation to financial matters generally and in regard to taxation and nationalisation in particular". What these plans and policies are going to be will soon be known when the States and the Centre present their budgets. They will also reveal, I daresay, the extent to which the authorities are in a mood to pay heed to the sober counsels of wise business men.

COUNTERING SOVIET ECONOMIC OFFENSIVE

By
CROESUS

AS the Soviet attack on the economic front is becoming more and more aggressive, both the USA and the UK have started seriously to examine their weaknesses with a view to removing them speedily. Alarmed at the large number of technicians and trained engineers who, by the way, are also well-versed in spreading Communist gospel, that the USSR is willing to and has been sending to every part of the globe, in particular, to those areas which were hitherto regarded as sure sanctuaries of the free world philosophy, compared to the dearth of engineers and technicians "who genuinely understand the concepts of free, competitive capitalism" that the Western countries have been suffering from, "Business International", New York, has called on the Western countries to start a campaign to multiply "trained, effective managers of every nation of the free world—men who are not only competent to run a business profitably but who can demonstrate by performance that workers live better, with greater dignity, freedom and opportunity, by working in a free enterprise than in a totalitarian government-run organisation and that consumers get greater benefits from competition than from monopoly".

In the UK also, the "Financial Times", London, recently published an article wherein it described the difficulties of conducting ordinary commercial negotiations in the teeth of the new Russian economic offensive. In the course of this article, the paper has suggested an "expedient" to the Government of India, in connection with the financing of the British steel plant for India, although the writer of the article conveys to the reader the impression that it is, in fact, the Government of India that is thinking of such an expedient "in order to push the British contract through". The Government of India is, indeed, interested in getting Britain to put up a steel plant in this country but only if it is competitive enough vis-a-vis the steel plants that the other two countries have agreed to, and still others who are prepared, put up such plants. Obviously costs in the UK have gone up so high—although this is not willingly conceded—that, if India were to raise a loan in the British capital market which today cannot be at a lower rate of interest than 5½ per cent, to finance the British plant, it would make it "twice as expensive as borrowing from the Russians or Czechs, both of whom are clamouring to construct steel plants for India", to quote the "Financial Times" itself. Even in regard to the time limit for repayment of the loan, the paper says, "the Soviet countries apparently see no reason to set any close limit to the time required for repayment of the credit".

As against these undoubtedly attractive terms offered by the Communistic countries—whatever be the motives underlying them—the "Financial Times" confesses, the most that Britain could do would only be to subsidise the venture in some way and for its Government to reduce its own commitments as far as possible, and goes on to ask: "But how big a subsidy can it afford to give the Indians to help their investment programme at a time when the investment effort of British industry at home is being held up by the credit squeeze?" Hence the suggestion of the expedient referred to above, which is, to quote the paper: "A suggestion in this regard is apparently that India may put up some of her own rather large sterling balances to pay for part of the first stage of the construction of the plant on the understanding that Britain would be prepared to provide a sterling loan at some time in the future, if and when the balances were run down."

This only means that Britain cannot afford to give India financial assistance on terms anywhere similar to the communistic countries. All the same, her frankness in this behalf must be appreciated. Similarly, her suggestion that, rather than float a loan at 1 per cent above the British Bank Rate in the London market to find funds, India should find it more economical to use her surplus sterling balances, especially as this is accompanied by an assurance that Britain would be prepared to provide a sterling loan at some time in the future if and when the balances were run down. It is claimed that the advantage (of this proposal) is that "it mobilises existing balances in London which are at present yielding only between two per cent and four per cent." Actually, these balances are today yielding about 4.05 per cent, but, even so, it would save India more than one per cent, which is quite a sizable gain.

There can be no question about India not being able to draw on her sterling balances today, inasmuch as they now amount to Rs. 739.62 crores, that is nearly Rs. 340 crores more than the safe minimum required as backing for this country's currency, according to the Union Finance Minister. Our balance of payments position has been so comfortable fortunately that we have not even found it necessary to draw the £35 million annual sterling releases which Britain has agreed to.

Apart from this, a very important consideration is—and this should weigh most at the present juncture—that, as far as possible, this country should not go on adding to her commitments with the Communistic countries except on the basis of normal commercial deals. It is to be hoped that all these aspects of the matter will be looked into carefully before the Government of India takes a decision in this behalf.

ROHTAS INDUSTRIES LIMITED

The Directors of the Company have recommended to the forthcoming General Meeting of the Company payment of the following dividends (free of income-tax) for the year ended 31st October, 1955.

Rs. 9 per share on Cum. Pref. Shares.

Rs. 4-4 per share on 'B' Cum. Pref. Shares.

Rs. 1-8 per share (i.e. 15 per cent) on old Ordinary Shares.

Notice is hereby given that the Share Transfer Books of the Company will be closed from 21st February, 1956 to 6th March, 1956, both days inclusive.

SAHU JAIN Ltd.,

Managing Agents.

CALCUTTA,

28-1-56.

BUSINESS NOTES

POLICY FOR MACHINE TOOLS

THE SCATHING criticism of extravagance and of lack of efficiency and organizational planning in the two machine tool factories in the public sector made by the Scaife report and reinforced by the corroborative findings of the Auditor General, ought to produce a sobering effect on Government's policy on machine tool industry. This salutary effect must also be evidenced in its attitude to the private sector and ought to be reflected in a spirit of accommodation. In so far as planning for the expansion of the machine tool industry is concerned, this spirit is happily being shown, but it remains to be exhibited in the policy of purchase of tools for government factories.

Instances do occur in respect of important orders where government departments make purchases for their requirements direct from the State-owned Hindustan Machine Tool Factory, without regard to the policy commitment to invite tenders from the private manufacturers also. Orders for imports are likewise being placed on behalf of State-owned factories for tools which indigenous producers are able to supply. If genuine obstacles exist in making use of domestic capacity in the private sector on the score of precision, quality, price or date of delivery, the position must be settled after full discussion. Mr. B. M. Jambhekar's presidential speech on last Monday before the annual session of the Indian Machine Tool Manufacturers' Association contains a serious grievance that Government has not so far acceded to the Association's request to discuss this issue. The attitude of the Railway Ministry, however, is conciliatory and producers are informed about standardisation and types required for the use of the railways.

It is anomalous that while an ambitious programme of expansion of a wide range of industries is to be launched during the second Plan and it must involve simultaneous expansion of indigenous machine tool manufacture, an objective plan for machine tools to meet the potential requirements in the next five years is being formulated now at a belated stage. A committee of investigation has been appointed for this purpose only recently. It is a saving feature that the Association's representatives have been invited to work on it. Prior to that, a survey was conducted into the actual use of machine tools of various types, sizes and groups in about 800 factories in the country as one source to determine the character of the home demand. This action has limited value. Over 85 per cent of the country's requirements are satisfied by imports and comprehensive data can be obtained on a reliable basis by collection of classified statistics of imported tools. A pressing suggestion made by the Machine Tool Panel of the Engineering Capacity Survey Committee to maintain these imports statistics has not been acted upon.

It is certainly expedient that Government should take measures to remove, or at least to minimise, the major difficulties of private manufacturers. Shortages still persist in respect of graded pig-iron, coke for castings, semi-finished parts for forgings, high tensile alloy steel (particularly nickel alloy steels) and ball bearings. The tendency of government departments at the Centre and in the States to rush with orders on manufacturers in the last quarter of the financial year, with delivery terms by 31st March, to use budget grants, causes great hardship which can be avoided by phasing out orders by advance planning. It is, however, difficult to see how Government can effectively curb colourable devices adopted by users to import tools which are indigenously produced. The root of this malady consists in consumer prejudice which home producers have to remove by persevering action over a long period.

WILL AMERICA DUMP HER COTTON OVERSEAS?

PERHAPS NO other problem has cost so much studied investigation in the U.S. as the disposal of surplus farm products. And yet the American goal of agricultural price stability remains as elusive as ever. If the U.S. Government's price support programmes have only resulted in accumulation of huge stores of farm products in government hands or under government loan, its acreage restrictions have been assiduously offset by more intensive cultivation of the commodity on the restricted acreage and shifting to unregulated crops transferring, in the process, the surplus problem to pastures new. Thus, the solution to the broad question of agricultural price stability, in effect, depended upon the degree of success that the Government achieved in the disposal of its surplus farm products. The handling of the surplus cotton disposal plan by the American Government, through the Commodity Credit Corporation, has exposed the inefficiency of the Government. The latest reports from Washington indicate that the proposal to sell cotton at competitive prices may not be included in the overall Farm Bill. For, it has been found from the first three sales held since January 3, when the cotton surplus disposal plan actually got under way, that the response has been scarcely heartening. In order to attract buyers, it would now seem, America must perforce dangle the bait of cut-rate prices before prospective consumers of the surplus cotton. If and when such transpires, it is needless to say, cotton markets all the world over would be bearishly hit, a development which the U.S. Secretary of Agriculture had been repeatedly reassuring the cotton world to safeguard against.

Frankly, America truly finds herself in an unenviable position today. By pegging her cotton prices above world markets, she stimulated foreign production "to the point of making the rest of the world independent of American cotton". If she should reduce the price of her surplus cotton considerably below world levels—she has no other alternative now—she would be accused of 'dumping' her cotton on overseas markets. She has only to thank her Government for this state of affairs. It has been aptly said that "the Government subsidised efficiency and then subsidised inefficiency, and it is this Janus-like policy that today is chiefly responsible for what the economists describe as 'an excess supply of resources in farming'".

The farm problem, in short, bids fair to become the only great controversial issue in the Presidential election campaign. Already, in his State of the Union Message, President Eisenhower has promised a many-sided assault on the stubborn problems of surpluses, prices, costs and markets and a steady, persistent, imaginative advance in the relationship between farmers and their Government. Market observers aver that "the Government has the bear by the tail and dares not let go" and unless effective measures are taken to halt the drop in farm prices and income, they fear, the entire country may be drawn into a depression.

ACC EMBARKS ON EXPANSION PLAN

THE TARGET of 12.5 million tons of cement fixed for the second Five-Year Plan is almost wholly the responsibility of the private sector and it is facing up to the challenge of its fulfilment with confidence. The Associated Cement Companies, as the largest group of manufacturers of cement in the country, have assumed the task of contributing 5.2 million tons as their share of the target. The speech of Mr. Dharamsey Khatau, Chairman of the Associated Cement Companies, at its annual conference held in Bombay on January 27 last, gives ample evidence of the preparation of ACC's concrete plan of expansion and of the initial steps taken

in augmenting production. In September 1955, ACC's first new plant at Sindri went into production. Its capacity is one lakh tons per year. This was followed by another plant at Sindri with the same capacity in November 1955. An outstanding feature of the expansion in Sindri is the utilization in one of the plants of calcium carbonate sludge, which hitherto went entirely to waste, in the manufacture of cement. This plant would be the second of its kind in the world.

The new plants with the capacity of two lakh tons at Sindri leave out expansion room for production of the order of 50 lakh tons. Programmes have already been formulated to achieve this balance. Five new factories are to be set up at Mancherial in Hyderabad, Yerraguntla in Andhra, Drug near the site of the Bhilai Steel Plant, Abu Road and Porbandar in substitution of the existing old factory. In addition, the present plants at Kymore, Lakheri, Shahabad, Dwarka, Kistna, Chaibasa and Sindri are to be expanded on ambitious scales. The financial resources which ACC plan to raise on their own for this order of expansion of cement production and for establishment of a machine manufacturing factory have been estimated at above Rs. 10 crores. Of this, ACC have arranged to raise Rs. 4 crores by means of cash credit from the State Bank of India on the security of their 5 per cent first mortgage debentures to be deposited in the Bank. Rs. 6.36 crores are to be raised by expansion of the share capital by the issue of 6,35,928 shares of Rs. 100 each to be offered at par to existing shareholders in the ratio of one new share for every two shares held by them. The proposal of this share expansion, of course, awaits the sanction of the Controller of Capital Issues.

One of the most important parts of the expansion of cement plants is the procurement of the necessary machinery and equipment. At present workshops attached to cement factories produce only some of the machinery and equipment. Vigorous expansion of the kind envisaged in the second Plan requires that the new plants should be of the most up-to-date designs, incorporating the latest rationalised techniques of production. ACC have given the fullest consideration to this vital part of the expansion programme. They have entered into an agreement of setting up a large-scale central factory, for the production of such machinery in this country, with Vickers Limited of the United Kingdom. The blue print of the new factory, jointly prepared by ACC and Vickers, is now undergoing final scrutiny. The two parties have undertaken to contribute to the bulk of the capital requirements of this factory in equal shares. ACC's contribution of the finance is to be found out of its scheme of capital expansion of Rs. 10 crores.

FAN MANUFACTURE RECOVERS GROUND

UNLIKE SEVERAL other industries which have surpassed the targets fixed for them in the first Five-Year Plan, the fan manufacturing industry has not been able to reach the target of 3,200,000 units, which has been assumed as the magnitude of the indigenous demand. Nevertheless, it is a healthy sign of the positive recovery made by this industry in the last two calendar years that production has been stabilised at a high level after the set-backs suffered in the two years immediately after 1951 which marked an all-time peak. The trends in output are tabulated below:

Year	Production
1951	2,12,400
1952	1,95,600
1953	1,99,200
1954	2,38,800
1955	2,55,450

The production in 1955 is estimated on the basis of the actual output in the first eight months which amounted to 1,70,300. Mr. T. R. Gupta, Chairman, Fan Makers' Association of India, explained at the last

annual session of the Association that the shortfall in output was due, among several causes, to the inadequate supply of electric power. The target of demand in the second Five-Year Plan has been placed at 6,00,000 units per year and the Chairman expresses the confident hope that the industry would fulfil it and may possibly excel it. An important condition for its fulfilment is a successful attempt to lower the selling price to bring it within the effective demand of the large middle class consumers. It would appear that this industry means to address itself to this task by evolving popular designs. Indian fans have made a start in stabilising their position in the neighbouring export markets and improvement in quality as well as finish have given them competitive strength. It is, however, difficult to share the Chairman's optimism that the home industry would attain an export level of 5,00,000 units "in the not distant" future. This export target is twice as high as production in 1955 and it is obvious that the industry must first plant its roots firmly in the home market as an unfailing base before it embarks on an ambitious programme of large-scale exports.

The industry requires quick action in the removal of its current handicaps. Supplies of pig-iron for castings have been difficult to obtain for a number of months past and electrical steel sheets are another vulnerable spot which create uncertainty in production programmes. The Association's grievances represented to the excise authorities mainly relate to procedural matters, but its request for remission of excise duty on paper and paints merits consideration in view of this year's new levy of excise duty on fans.

LLOYDS BANK LIMITED:

THE ACCOUNTS of the Lloyds Bank Limited disclose a profit of £2,322,439 for the calendar year 1955 which is £136,367 higher than that of the preceding year. The dividend on "A" shares has been proposed at the rate of 12 per cent, which, in effect, maintains the level of 1954. The annual statement of the Chairman, The Rt. Hon. Sir Oliver Franks, gives ample indication that, as a leading foreign exchange bank operating in the Indian sub-continent, the Lloyds Bank has found no difficulty whatever in readjusting its policies to maintain its utility and value in the credit structures of India and Pakistan. Fully appreciative of the legitimate aspirations of the two countries to shift the emphasis in the development of their economies towards industrialisation, the Bank's management has adopted a deliberate policy of sympathetic encouragement to proposals for finance which have a bearing on the establishment of new industries. The decline in the price of staple exports—jute, tea and rice—has had its impact on earnings of foreign exchange in this region, but the new accent on industrialisation and exploitation of natural resources is acting as a counter-balancing force.

The year under report posed the challenge of inflation to the British economy, but that challenge was courageously met and a perilous corner has now been turned. Banks were, of course, directly concerned in the campaign of monetary restraints which the Chancellor of the Exchequer was unflinchingly waging to curb inflationary pressures. Dismal prophecies about a deterioration in the exchange value of the sterling have been falsified and British exports have recently begun to look up. Apprehensions of a deficit in payments have been repelled. But as Sir Oliver emphasizes, a positive and sizable surplus alone can offer real security. He underlines three lessons for future economic policy from the trials of 1955: (a) Maintenance of adequate exchange reserves is of paramount importance. (b) Early application of normal restraints ought to be undertaken to obviate subsequent resort to drastic remedies. (c) Careful vigilance needs to be exercised to control the volume of bank deposits as a vital check on unwarranted levels of spending.

Statement of Chairman

LLOYDS BANK

MONETARY POLICY ON TRIAL

The Annual General Meeting of Lloyds Bank Limited will be held on February 17, 1956 in London.

The following are extracts from the Statement by the Chairman, The Rt. Hon. Sir Oliver Franks, G.C.M.G., K.C.B., C.B.E., accompanying the report and accounts for the year 1955:

The profit, at £2,322,439, is £136,367 higher than last year and we propose a dividend of 12% per annum on the "A" Shares, which is the equivalent—allowing for the capital operation carried out a year ago—of the 15% dividend paid for the year 1954.

BRANCHES IN INDIA, PAKISTAN AND BURMA

The business of our Eastern branches has continued to develop satisfactorily. During the year we opened a new branch in Eastern Pakistan at Khulna, a port which is becoming of increasing significance to the jute trade, and have moved into new and more commodious premises in Madras and Chittagong.

World prices of cotton, jute, tea and rice—the main exporting products of the three countries—have all fallen during the year but progress has been accelerated in the development of natural resources and industrialisation. The bank continues to adopt a sympathetic attitude towards proposals for finance connected, directly or indirectly, with the establishment of new industries in the countries of the sub-continent.

In August, the Pakistan rupee was re-valued at 1s. 6d., as against 2s. 2d., at which it had remained since the devaluation of sterling in 1949, and it is now on a par with the Indian rupee; the operation went through smoothly and there is little doubt that the revaluation should result in an increase in the overseas trade of Pakistan as well as in the trade between that country and India. During the year, both countries have been beset by serious floods and it is not yet possible to estimate the full extent of the damage, though it is feared that cotton and wheat crops may be adversely affected.

Our staff in the East are responding well to the changing conditions in the sub-continent. We, in this country, fully appreciate the services which the Eastern staff render in the bank's interests and I take this opportunity of making full acknowledgment of them.

INFLATION

For the majority of our countrymen 1955 must count as a very good year indeed. It is not, unfortunately, the whole story. Very few of us were prevented from sharing in the general well-being by lack of work. Large sections of our people, on the other hand, were again robbed of that opportunity by inflation, which for many years past has taken the place of unemployment as the main evil afflicting our society. Moreover, while the national standard of living was higher than ever before, it was also higher than the nation could afford without imperilling its future. From the financial point of view, the year was, therefore, dominated

by the Chancellor's efforts, in which the banks were directly involved, to remedy this situation with the aid of monetary restraints.

There was a period in which it was felt in certain quarters that we might not find it easy to maintain the present rate of exchange. Fortunately, the recent performance of exports shows that our competitive position has not been seriously impaired. Our failure in recent years to obtain our share of an expanding world market has been due rather to the other concomitants of inflation—such as delays in delivery and lack of incentive to venture upon the risks of export trade—than to excessive prices. If so, the reduction of inflationary pressure which is now in progress ought not only to restrain imports but also to give a fresh impetus to exports. There should be no doubt, therefore, about our ability to avoid a deficit in the balance of payments. But that is not enough. What we need is a positive surplus, considerable in amount.

LESSONS FOR THE FUTURE

Looking back, the important thing is to be as clear as we can about the lessons we can draw as a guide to future policy.

The first moral is surely the overwhelming importance of adequate exchange reserves. Had our reserves not been so near the danger level, we could have ignored a temporary loss of gold due to a running down of overseas holdings of sterling. The second is that a modest application of the normal restraints, if undertaken early, will often avoid the need for drastic expedients later on.

The third is the importance of keeping a tight rein upon the volume of bank deposits as one of the main determinants of the flow of spending. In other words, the authorities must keep a tight rein upon the supply of Treasury bills available to the banking system.

The true measure of the disinflation brought about since February is the decline of just on 6 per cent in banking deposits, leaving them no higher than in the middle of 1953. It is this decline in deposits—and, therefore, in the totality of bank assets—which is ultimately of importance, not the movement of the single asset, advances. This is not new doctrine; it is all clearly set out in the Macmillan Report.

Conditions today are in many respects very different from those in which monetary policy used to operate. It would be premature to suggest that the disinflationary measures have as yet accomplished their purpose. Undoubtedly, one nasty corner has been turned. The heavy gold losses of the third quarter have tapered off sharply, but we have not reached a point when we can be sure of steady progress and secure from all anxiety about the balance of payments; nor can we yet hope to achieve that substantial surplus which is one of our basic aims.

A solution acceptable to us all, consonant with our developed views about the kind of society we want, is well within our power. The condition is that we have the will to choose and carry out the means which are necessary to the ends we acclaim.

COMMODITY NEWS AND NOTES

COTTON PRODUCTION IN 1955-56

The all-India third estimate for cotton for 1955-56 puts the current year's area and production at 17,189,000 acres and 3,286,000 bales (of 392 lbs each of cotton lint.) A press note by the Ministry of Food and Agriculture states that these figures showed an increase of 1,096,000 acres in area and a decrease of 335,000 bales in production over the area and production in the adjusted third estimate for 1954-55 of 16,093,000 acres and 3,621,000 bales respectively. The production of cotton seed was estimated at 1,150,000 tons during 1955-56 as against the corresponding adjusted estimate of 1,267,000 tons for 1954-55 showing a decline of 117,000 tons. The increase in area under cotton during the current year has been reported mainly by Madhya Bharat, Bombay, Saurashtra, PEPSU, and Madhya Pradesh and has been attributed to favourable weather conditions at the sowing time and to efforts made under the cotton extension schemes. Despite increase in acreage, the production of cotton has gone down in 1955-56. The estimate does not cover the entire area sown to cotton crop during 1955-56. The trade estimates of cotton are generally higher than the official estimates. At this stage the latest available trade estimates put the size of the current year's crop at 48.65 to 48.74 lakh bales as against their corresponding estimates of 48.20 to 48.27 lakh bales for 1954-55 crop and their final estimates of 54.00 to 53.76 lakh bales for 1954-55.

WORLD JUTE SUPPLY

World jute supplies for the 1955-56 season will be considerably larger than in the preceding year. The production in 1955 of 4,723 million lbs, was nearly 40 per cent greater than the 1954 output of 3,402 million lbs, and approximately equalled the large crop of 4,692 million lbs. The current crop in India, estimated at 1,600 million lbs, was the longest since 1952. India and Pakistan were producing about 97 per cent of the world's supply. Pakistan's output in 1955 was set at 3,000 million lbs. The carry-over on June 30, 1955 was relatively small in the growing areas, but both domestic consumption and foreign exports of these areas were expected to increase in this season. The controlled acreage of jute in Pakistan was planned to produce about 2,200 million lbs, this year but excess acreage that was not destroyed because of a later Government decision, combined with good growing weather, and relatively small flood damage, are believed to have resulted in an exceptionally large crop.

KENAF PRODUCTION IN MEXICO

The yield of fibre from the 1955 kenaf crop in Mexico is expected to be round about 3.5m lbs from an estimated 2,100 acres, reports 'Jute Bulletin' of the Indian Central Jute Committee. Of this area, about 900 acres were in the State of Sinaloa, 865 in Vera Cruz and 245 in Morelos. Exports from the current harvest, which commenced in early October, are expected to be nominal. The earlier estimate of fibre yield from the 1954 harvest has been revised downward to about 2.2m lbs. The downward revision has resulted from the loss of fibre due to faulty decortication and to fire. A good part of the production in Culiacan, Sinaloa, was destroyed by fire.

TIN PRODUCTION IN DIFFERENT COUNTRIES

Tin production in Indonesia for 1955 fell to 33,368 tons from 35,861 tons in 1954. December, 1955 production was 2,328 tons, compared with 2,480 tons in November. Belgian Congo production for 1955 was 12,306 tons, against 15,084 tons in 1954, with December

output 1,387 tons, compared with 1,344 tons in November 1954. Production of tin metal in Malaya in November was 5,485 tons, against 6,257 tons in October, 1955. U.K. output was 2,241 tons.

U.S. production of tin metal in December, 1955, rose to 2,452 tons from 1,803 tons in November, but on the whole total production in 1955, fell to 22,329 tons from 27,002 tons.

EXPORT OF CHROME ORE

The Government of India have reviewed the policy for export of chrome ore. It has been decided to regulate export of this ore during the year 1956 on a quota basis through shippers who had exported the ore during any of the three calendar years 1953, 1954, 1955. Shippers are advised to establish by February 15, 1956 their last years exports with the export trade control authorities at the port through which exports were made.

NICKEL OUTLOOK

World nickel production in 1956 is expected to set up an all-time record, the estimated figure being 442 million lbs as against 427 million lbs in 1955. But the anticipated increase is not so marked as in the year 1954 and 1953, when the extent of the rise was 40 million lbs and 87 million lbs respectively. All the same, it is significant that the rising trend in production is being maintained. Despite this uptrend in production, chances of a fall in the prices of the metal seem slender. In fact, indications are, that prices may show a further rise. The limitations on the supply caused by large and augmented defence requirements as also the strategic stock pile needs of the U.S.A., threaten to continue placing a burden on the expansion of civilian markets. An idea of the impact of the U.S. buying on the price pattern of the metal can be had from the fact that that country lifted about two-thirds of the aggregate world supply in 1955.

TOBACCO EXCISE TARIFF

An expert committee has been appointed by the Government of India to review certain aspects of the Tobacco Excise Tariff. The terms of reference to the Committee will be to review generally the departmental procedures now in force for assessment to duty of tobacco on the basis of the criterion of capability of use for the manufacture of biris laid down in terms 9 I(5) and 9 I(6) of the Central Excise Tariff on tobacco other than flue-cured and to consider generally the methods adopted for estimating the produce of tobacco growers for purposes of accounting and assessment, and to recommend measures for remedying the defects, if any, in the existing methods.

FOOD PRODUCTION IN INDIA

Food production in India had risen from 50 million tons in 1950-51 to 65.8 million tons in 1954-55, exceeding the target by about 4.2 million tons, as a result of implementation of irrigation and power projects in the first Five-Year Plan. By the end of 1954-55 four irrigation facilities and increased water supplies were provided to over four million acres of virgin and irrigated soil. According to official sources food imports which totalled 4.7 million tons in 1950-51 had fallen to 0.77 million tons in 1955.

lbs, and approximately equalled the large crop of 1952 of 4,692 million lbs. The current crop in India, estimated at that was not destroyed because of a later government relatively small flood damage, are believed to have re-

Company Meeting

THE ASSOCIATED CEMENT COMPANIES LTD.

The Nineteenth Annual General Meeting of the Associated Cement Companies Limited was held in Bombay on 27th January, 1956. The Chairman, Shri Dharamsey M. Khatau, reviewing the major developments in the economic and industrial field that have taken place in the country said:

"We in this country have got into a curious habit of achieving political, economic and social progress by sudden jerks. Every year, two or three major economic or political concepts are mooted and bitterly pressed, often to extreme limit; this is followed by some hasty legislative action; and the controversy then dies down as suddenly as it began.

"This has been going on since 1950; and the year 1955 was no exception. It began with the proclamation of the 'socialistic pattern of society' as the ultimate objective of political and economic policy. This was followed by the Fourth Amendment to the Constitution, whereby it would no longer be unconstitutional to nationalise, either by acquisition or by obtaining complete physical and management control, every form of private property on payment of only such compensation as may be laid down in the particular nationalisation enactment. Quick on the heels of this serious detraction from fundamental rights came the taxation proposals of the 1955 Budget which contained a curious mixture of measures adversely affecting individual enterprise and incentive, savings and investment, on the one hand, and affording encouragement to industrial development, on the other! And before the ink was dry on this drastic scheme of taxation came the nationalisation of the Imperial Bank. Later, we had the Indian Companies Act with its quite unjustified attack on the Managing Agency system, the objective apparently being to kill rather than to cure the one institution which had been most responsible for the rapid industrial advance we have achieved since the First World War. And finally, the nationalisation of life insurance was announced only last week!"

THE SECOND FIVE-YEAR PLAN

Referring to the 'Plan Frame' of the second Five-Year Plan, Shri Khatau said that he felt it had caused grave concern to knowledgeable circles. He characterised it as "no more than a jumble of ill-conceived and unattainable 'physical targets' of production, tied together with bits and pieces of loose thinking, which completely ignored such practical issues as how or wherewith they were to be achieved". It was fortunate, Shri Khatau added, that the Plan Frame had since been subjected to the most rigid scrutiny with the result that while its old name persisted in substance, it was new and more in the region of practical economics. Shri Khatau continued: "Even so, two features of the second Five-Year Plan as it is now emerging give cause for some anxiety. One is the drastic cutting down of the outlay on transport, especially Railways; and the other, the impractical approach to the problem of resources to cover the enormous over-all outlay of some Rs. 4,800 crores contemplated in the public sector. There lies before us, in consequence, the grave prospect of the probable incapacity of the transport system to cope with the increased production envisaged under the Plan, alongside with acute inflation coupled with crushing taxation of income and capital."

THE PRIVATE SECTOR

Speaking on the progress and prospects of the private sector, the Chairman observed that there could be no doubt that the urgent need to achieve industrial

expansion along sound lines was appreciated as keenly by free enterprise as by those who spoke from the ideological or political platforms. "Whether it is a question of raising the general standard of living or of avoiding inflation in the wake of deficit financing of development in the public sector, the *sine qua non* is continually increasing production. Towards this end free enterprise has played its part, and will continue to do so subject to the numerous handicaps imposed upon it even within the limited scope permitted to it. It is admitted that the targets set for the private sector under the first Five-Year Plan have generally been fulfilled; and that in some cases, they are even likely to be exceeded—as has already happened in the cotton textile industry. No one need doubt, therefore, that the role allotted to the private sector in the second Five-Year Plan will be equally significant. But its achievement will depend to a large extent on the broad-based backing of the public as well as of the Government, on wise planning and sound fiscal and political policies, on full and unstinted co-operation from labour, and on the uninterrupted flow of savings and investment year after year. In all these matters, the most effective single factor will be the plans and policies of the Central and State Governments in relation to financial matters generally and in regard to taxation and nationalisation in particular."

PRODUCTION AND SALES

Turning to the affairs of the Company, the Chairman reported yet another successful year of working for the ACC. Both production and sales of cement were satisfactory, though the Company had not been able fully to cope with the demand. These results were due to the very strenuous and sustained efforts the Company had already made to increase production.

PLANT REHABILITATION AND EXPANSION

Shri Khatau stated that since the ACC embarked upon its post-war expansion programme, it had already increased its annual manufacturing capacity by nearly 1.3 million tons. Satisfactory progress was maintained during the year in the modernisation and extension of the Shahabad, Bhupendra and Kistna factories. The new works for the production of refractories at Katni was about to go into production, and by October 1956 would have a capacity of three times that of the old plant.

SINDRI

Coming to the field of new installations, the Chairman reported that the first unit of the Sindri plant having a capacity of one lakh tons was put into operation in September 1955 and a second unit with a similar capacity went into production two months later. That plant, utilising calcium carbonate sludge (hitherto a waste by-product from the Sindri Fertiliser Factory) for the manufacture of cement is the second of its kind in the world. "This splendid achievement," Shri Khatau said, "involving the solution of some very difficult

technical problems, was the work of the members of our own staff, unaided by any outside consultants or experts. I am glad to say that the cement produced there is well up to our best standards".

TARGET FOR CEMENT INDUSTRY

Referring to the target of 12.5 million tons set for the Cement Industry under the second Five-Year Plan, Shri Khatau spoke of the ACC's role in the implementation of this huge target: "As the leading manufacturers of cement in the country, we have to play our full part in bringing about the very large expansion which the achievement of this target will necessitate. This we plan to do by establishing a number of new factories in various parts of the country and by extending those of our existing works which are favourably situated with raw materials in sufficient quantities. We have already formulated plans to increase our capacity to nearly 5.2 million tons by extending our existing factories at Kymore, Lakheri, Shahabad, Dwarka, Kistna, Chaibasa and Sindri, and by putting up five new factories—at Mancherial in Hyderabad, at Yerraguntla in Andhra, at Drug near the site of the Bhilai Steel plant, at Abu Road and at a new site in Porbandar in replacement of the present old factory. Further projects are under consideration. Apart from our contribution other interests in the cement industry will also undoubtedly have similar plans of expansion so that we may collectively achieve the extremely rapid expansion which is required in fulfilment of the high target".

FINANCE FOR EXPANSION PROJECTS

Speaking about the very substantial capital expenditure entailed by these expansion projects, Shri Khatau said that the ACC had entered into a cash-credit arrangement with the State Bank of India enabling the Company to borrow up to a limit of Rs. 4 crores against the security of its own 5 per cent First Mortgage Debentures deposited with the Bank. He also said that the Extraordinary General Meeting to be held later that evening would consider the issue of 6,35,928 shares of Rs. 100 each to be offered at par to existing shareholders in the ratio of one new share for every two shares held, subject to the sanction of the Controller of Capital Issues. This additional finance, supplemented by the Company's own present and prospective internal resources, the Chairman observed, would be adequate for the purpose of attaining an annual production of nearly 5.2 million tons.

CENTRAL WORKSHOPS

During the past few years, Shri Khatau continued, some of the machinery required for the ACC had been manufactured in the Company's own workshops. But with the plans for rapid expansion ahead, there was now urgent need for considerably higher production of cement-making machinery in India utilising the best techniques and newest developments. Shri Khatau announced that the ACC, with the approval of the Government of India, was negotiating with Messrs. Vickers Ltd. for jointly setting up a plant for the manufacture of a wider range of cement-making and other machinery in India. Vickers Ltd., together with their many associated companies and their respective subsidiaries, the Chairman said, constituted perhaps the largest engineering group in the United Kingdom manufacturing an extensive range of products including heavy engineering machinery, plant and tools of all kinds, cement making machinery, ships, aircraft, railway rolling stock and numerous other products. After preliminary negotiations, Lord Knollys, the Deputy Chairman of Vickers Ltd. visited India. That was followed by Vickers sending out a team of experts who, along with an ACC team, made a thorough investigation of the project and submitted a joint report which

is now under consideration by Vickers Board and by ACC Directors. It was envisaged that the new works to be jointly established would manufacture not only a wide range of cement machinery adequate for the country's entire requirements, but also such badly needed machinery as gears, pumps, mining equipment, etc. The bulk of the capital required for the project would be contributed by Vickers and the ACC in equal shares and provision for the ACC's contribution had been made in the financial arrangements referred to earlier. If on careful consideration the scheme proved to be a worth while proposition, it would be put before the shareholders for their sanction.

WHITE CEMENT

Shri Khatau then stated that the ACC had embarked on the manufacture of white cement at the Porbandar factory on a small scale, and said the production would be gradually increased with growing demand. The new product, which was also an excellent base for making coloured cements and cement paints, was now being marketed under the trade name of "Silvicrete".

BULK CEMENT

The Chairman turned next to the ACC taking the lead in supplying cement in bulk to its customers, and stated that the first Bulk Cement Depot at Delhi was now ready and deliveries of bulk cement from this depot would commence next week. Depending on the experience gained from this experimental project, the Company intended to establish similar bulk cement depots wherever feasible.

PAKISTAN

The Chairman stated that the ACC's two factories in Pakistan were operating satisfactorily, and that remittances of part of the profits from Pakistan were with great difficulty being allowed from time to time. He felt that with the devaluation of the rupee by the Government of Pakistan, the remittance problem should ease. Shri Khatau anticipated some increase in costs there and expressed the hope that the Government of Pakistan would take this into account when fixing cement prices for the current year.

COLLIERIES

Reviewing the progress of the ACC's two collieries at Kotma and Nowrozabad, the Chairman said that in line with the targets for coal production in the second Five-Year Plan, the ACC was considering schemes for increasing the output of the Nowrozabad Colliery and for setting up a coal-washing plant to improve the quality of the coal despatched.

LABOUR-MANAGEMENT RELATIONS

Turning to labour-management relations, the Chairman observed: "I referred last year with some satisfaction to the unanimous decisions of the Industrial Committee on Cement reached at the Hyderabad Conference, and also expressed the hope that we in the cement industry could look forward to a long period of peaceful and productive hard work.

"Unfortunately the goodwill fostered by the Hyderabad Conference and the 'peace within industry' which the ACC has so assiduously sought to build up by its progressive labour policy over a period of years, was marred by the efforts of certain interests to negative the joint decisions taken at the Hyderabad meeting. The interpretations sought to be put on the deliberations of that Conference, as also on the ACC's readiness to react generously to the wishes of labour, have resulted in demands being made on the Company to assume more and more responsibilities and financial burdens without any reciprocal gesture on the part of labour. It is,

therefore, with some sorrow that I have to report that at our Chaibasa factory the workers were misled into a prolonged strike on issues which had already been previously settled by mutual negotiations. Ultimately, when, after a lapse of four months, the Government referred the matter to an Industrial Tribunal, the harm had already been done, and this futile and wasteful stoppage of work resulted in a loss of production of over 60,000 tons of cement. However, I am glad to report that it was possible later to work out a settlement with the Chaibasa Works Union on all matters pending before the adjudicator, resulting in a joint request to him to give his award in terms of the settlement.

"The great majority of the Company's employees, I can say with confidence, are well-satisfied and enthusiastic workers who take pride in the part they are playing in the progress of this great organisation and its service to the nation."

BONUS

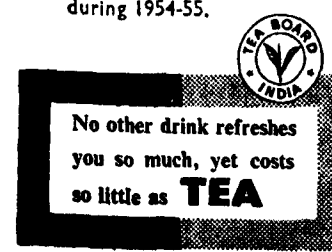
The Chairman announced that the Board had recommended the payment of a bonus equivalent to three months' basic earnings to all employees at the Head Office, the Works and Branch Offices, and concluded by recording the Company's appreciation of the excellent work and fullest co-operation of the staff and operatives.

The Report and Audited Statement of Accounts for the year ended 31st July, 1955 were then adopted and confirmed.



FOREIGN EXCHANGE

Indian Tea earned over Rs. 147 crores in terms of foreign exchange during 1954-55.



THE EASTERN ECONOMIST PUBLICATIONS

	PRICE
	Rs.As.Ps
The Economic Progress of Russia, 1860-1948 by E. P. W. da Costa	1 8 0
India's Foreign Trade: Part I by L. K. Jha	1 8 0
The Welfare State by T. W. Kent	1 0 0
Japan's Post-War Industrial Recovery by Sherwood Fine	1 8 0
Radical Humanism by M. N. Roy	1 8 0
What Goes on in the U.S.S.R.? by "Odysseus"	1 4 0
Communism and India by Philip Spratt	1 8 0
India and The Free World	0 8 0
India's Food Problem by P. A. Gopalakrishnan	1 4 0
A Programme of National Education for India by Humayun Kabir	0 8 0
Deficit Financing, Capital Formation and Price Behaviour in an Under-Developed Economy by V. K. R. V. Rao	1 8 0
Sea Power in the Indian Ocean by C. S. Venkatachar	0 8 0
Gold and Its Price by Arthur H. E. Taylor	0 8 0
International Capital Movements by C. M. Palvia	1 8 0
Goods Transport and the Plan by B. V. Vagh	1 0 0
India in Asia by E. P. W. da Costa	1 0 0
Company Finances in Indian Industries by S. K. Chaudhuri	1 0 0
A Lecture on the Dollar Problem by Donald MacDougall	1 0 0
The Economic Development of South-East Asia by E. P. W. da Costa & K. Rangachari	1 0 0
Asia between Malthus and Marx by Raymond Aron	0 8 0
Road Transport in India by B. V. Vagh	1 0 0
The Public Sector by Dr. N. Das	1 8 0
Post-War Industrial Relations in India by R. C. Goel	1 8 0
Geographical Realities of India by C. S. Venkatachar	2 0 0
ANNUAL NUMBERS	
India 1948—A Political and Economic Report	3 0 0
India 1900-1950 and India in 1949	5 0 0
India and the World and India in 1950	5 0 0
"A Social History of the Indian People" and India in 1951	5 0 0
"India and the Free World" and India in 1952	5 0 0
"India in Asia" and India in 1953	5 0 0
India in South-East Asia and India in 1954	5 0 0
India and the Communist World in 1955	5 0 0

POSTAGE EXTRA

Copies can be had from all important booksellers or direct from

The Manager
The Eastern Economist Ltd.
52, Queensway, New Delhi

COMPANY AFFAIRS

THE INDIAN IRON AND STEEL CO., LTD.

The Profit and Loss Account of the Company for the year ended March 31, 1955, shows, for the first time since the merger of the Steel Corporation of Bengal, Ltd., comparable results of two full years' working of the amalgamated concerns. This position is due primarily to the large excess of the production of steel over the estimated output of 290,000 tons adopted by the Government for the purpose of the fixation of the sales retention prices for the year. The increase in output was augmented, among others, by conversion of the large stocks of ingots, pig-iron and meltable scrap accumulated as a result of the labour trouble experienced in 1953.

In view of the heavy additions to block account over recent years, the provision for depreciation has been increased from Rs. 80,00,000 to Rs. 120,00,000. As in the previous year, a sum of Rs. 59,50,000 has been transferred to Plant Rehabilitation Reserve comprising the amounts of Rs. 52,00,000 for the steel plant rehabilitation and Rs. 7,50,000 for the Kulti Blast Furnaces Rehabilitation, to be set aside in accordance with the past recommendation of the Tariff Board.

After allowance of Taxation, Debenture Interest and Sinking Fund, Labour and Staff Benefit Schemes and all other charges and setting aside the above amount of Rs. 59,50,000 on rehabilitation account, there is left a balance of profit for the year of Rs. 2,10,69,223, and allowing for the usual dividend of Rs. 13,49,770 on the Preference share capital, there remains an amount of Rs. 1,97,19,453.

Notwithstanding the necessity for the setting aside to reserve of a substantial part of the profits earned, in view of the very heavy amount that is to be found by the Company from its own resources towards finance of the cost of the expansion programme, the Directors had wished to mark the outstanding results by the payment of some additional dividend for the year. But the Government have found themselves unable to agree to any increase in the dividend which has, therefore, been recommended on the Ordinary Share Capital of one rupee per share, being at the same rate of 10 per cent per annum free of Indian Income-Tax as was paid for the previous year.

Accordingly out of the balance of profits of Rs. 1,97,19,453, a sum of Rs. 43,69,967 has been transferred to General Reserve and Rs. 1,00,00,000 set aside on Works and Ore Mines New Extensions Reserve, leaving an amount of Rs. 53,49,486 to which is added the balance of Rs. 2,98,623 brought forward from the previous year, making a total of Rs. 56,48,109. The Ordinary dividend of one rupee per share will absorb a sum of Rs. 51,83,708, leaving a balance of Rs. 4,64,401 to be carried forward to the next account.

THE BALRAMPUR SUGAR CO., LTD.

The Directors' Report and the Audited Accounts of the Company for the year ended June 30, 1955, show the following position:

The results for the period, after providing for all charges including provisions for Taxation and taking into account earlier provisions no longer required, show a profit of Rs. 3,14,853

To which has to be added the Carry Forward from the previous year 23,527

TOTAL Rs. 3,38,380

From which has been deducted:

Depreciation Rs. 1,20,000
Rehabilitation Reserve 1,00,000
Contingencies Reserve 80,000 Rs. 3,00,000

Leaving at credit of Profit and Loss Account Rs. 38,380

The Directors recommend this balance to be disposed of as follows:

In payment of a dividend of one anna per share free of Income-tax, for the year ended June 30, 1955 Rs. 17,500

Carry forward to next Account Rs. 20,880

The quantity of cane crushed by both factories during the season 1954-55 showed a considerable increase over that crushed during the previous year and was above the average for the last 10 years. Balrampur Factory crushed 21,49,154 lakh maunds with a recovery of 9.75 per cent while Tulsipur Factory crushed 24,42,946 lakh maunds with a recovery of 9.46 per cent.

The cane price was Rs. 1-7 per maund at the factory gate and Rs. 1-5 per maund at out-stations. Out of the total sugar production for the 1954-55 season, Government retained 25 per cent for controlled sales.

While the efficiency of both factories' operations continued at a high level, they were adversely affected by difficulties with the Railways in the transport of sugarcane and in obtaining wagons for the despatch of sugar.

THE BANK OF BARODA LTD.

The Profit of the Bank of Baroda Ltd., for the year 1956, subject to audit, including the sum of Rs. 2,70,302 brought forward, amounts to Rs. 32,35,546 which the Directors have disposed of as under:

An ad-interim dividend was paid for the half-year ended June 30, 1955, at the rate of 10 per cent per annum free of income-tax which absorbed .. Rs. 5,00,000

Provision for taxation 9,00,000
Bonus to staff 8,00,000

The Directors propose to pay a final dividend for the half-year ended December 31, 1955, at the rate of 14 per cent per annum free of income-tax, amounting to Rs. 7,00,000, making in all 12 per cent for the year and to carry forward Rs. 3,35,546 to the next account.

THE BHOPAL SUGAR INDUSTRIES LTD.

The Directors' Report and audited accounts of the Company for the year ended September, 1955, shows a net profit, after providing for Depreciation Rs. 1,60,680 and Managing Agents' Commission Rs. 31,021, of Rs. 2,79,191, subject to taxation. Adding the balance brought forward from the last year's account of Rs. 38,000, the amount available is Rs. 3,17,191 which has been proposed to be disposed of as follows:

Dividend on preference shares @ 5 per cent, free of income-tax Rs. 62,500
Dividend on ordinary shares @ Re. 1 per share free of income-tax 1,75,000
Taxation reserve 75,000
Carry forward 4,691

TOTAL Rs. 3,17,191

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

		Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
		Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48	..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49	..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50	..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51	..	416.1	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52	..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53	..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54	..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.6
1954-55	..	339.3	436.2	350.3	377.3	612.4	377.4	90.5	100.7	88.4	113.0
February 1955	..	304.3	436.2	330.5	376.8	558.5	361.4	90.6	100.7	88.2	114.2
March	..	297.0	412.8	333.5	376.3	553.3	353.7	90.6	100.7	87.4	115.1
April	..	283.6	398.6*	327.8	377.1*	541.2	345.4*	90.5	100.6	87.5	115.1
May	..	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9
June	..	281.8*	390.4	329.7*	370.0	567.4*	342.5*	90.8	100.6	87.5	113.2
July	..	309.7*	408.1*	329.6	370.9*	562.6*	355.6*	90.9	100.7	87.8	117.9
August	..	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.8	122.8
September	..	313.0	396.1	324.8*	368.8	556.3	353.2	90.9	100.7	87.2	122.8
October	..	315.7	403.7*	329.8	371.2	559.3	357.2*	91.0	100.7	87.2	124.5
November	..	326.5	418.9*	338.1	373.3	543.3*	365.0*	91.0	101.0	87.7	129.9
December	..	323.7*	438.3	346.6	373.0	544.2	368.4	91.0	101.0	87.7	130.6
Week Ending 17-12-55	..	320.4	440.7	345.9	372.8	542.3*	367.4	91.0	101.0	87.8	131.7
24-12-55	..	325.3*	446.5	350.4	372.6	546.6*	370.9*	91.0	101.0	87.7	130.2
31-12-55	..	327.4	454.7	351.4	373.6	547.5	373.4	91.1	101.1	87.6	128.9
7-1-56	..	331.3	457.4*	351.9*	375.6	548.7	375.8	91.1	101.1	87.5	126.8
14-1-56	..	333.8	455.2	352.4	375.8	538.4	376.1	91.1	101.1	87.3	126.8

* Average of weeks.

* Revised

† Economic Adviser's Series.

†† Reserve Bank Series.

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS (August 1939=100)

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100	Ahmedabad July 1927 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936 = 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	139
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955 February	329	345	210	128	310	384	361	216	326	137	135	131
March	328	340	207	127	310	377	360	129	321	133	133	130
April	324	340	205	126	311	352	353	130	314	129	129	128
May	320	336	204	122	315	335	351	128	307	131	129	127
June	317	333	211	123	317	347	359	131	311	131	129	130
July	324	340	224	129	325	371	364	136	316	134	134	132
August	325	341	229	134	329	375	364	137	318	136	138	134
September	317	333	224	133	327	373	—	133	322	138	137	132
October	315	331	225	134	334	385	—	—	323	—	—	—
November	314	330	229	136	339	392	—	—	—	—	—	—
December	..	332	230	140	..	..	—	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	28-1-1956			21-1-1956			14-1-1956			7-1-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	96-14	94-15	96-0	96-1	95-2	95-9	95-10	94-9	95-3	96-11	94-11	95-9
Silver (per 100 fine tolas)	178-4	174-14	176-5	178-1	176-4	177-5	176-13	175-0	176-2	176-12	173-2	175-9

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39*	182,36	28,28	210,64	44,42	66,95	111,37	52.91	67,11	32,16	210,64
1947-48*	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49*	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62*	1,253,86
	(5,58)	(—)	(5,58)							(5,58)
1949-50*	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.50	59,53	415,36	1,152,94
1950-51*	1,163,21	17,19	1,180,40	40,02	624,70	664,72	56.31	57,21	458,47	1,180,40
1951-52*	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53*	1,114,84	27,87	1,142,72	40,02	664,40	704,42	61.64	80,22	458,08	1,142,72
1953-54*	1,133,95	23,03	1,156,97	40,02	694,02	734,04	63.50	92,83	430,11	1,156,97
1954-55*	1,197,05	22,98	1,219,17	40,02	648,90	688,92	56.47	102,25	428,81	1,219,17
Average of Fridays										
May 1955	1,324,71	15,14	1,339,85	40,02	661,98	702,00	52.39	104,14	533,71	1,339,85
June ..	1,324,56	17,97	1,342,53	40,02	652,04	692,06	51.65	104,33	543,65	1,342,53
July ..	1,306,93	29,34	1,336,28	40,02	646,04	686,06	51.34	105,87	543,65	1,336,28
August ..	1,299,00	26,50	1,325,50	40,02	633,29	673,31	50.79	108,24	543,69	1,325,50
September ..	1,290,78	23,49	1,314,27	40,02	668,82	708,84	53.93	110,51	494,93	1,314,27
October ..	1,303,25	10,97	1,314,22	40,02	632,07	672,09	51.09	110,95	531,18	1,314,22
November ..	1,327,06	14,27	1,341,33	40,02	642,08	682,10	50.85	109,38	549,84	1,341,33
December ..	1,350,04	10,13	1,360,17	40,02	662,98	703,00	50.95	108,56	548,61	1,360,17
Week Ending										
23-12-1955 ..	1,351,58	7,75	1,359,33	40,02	676,88	716,90	52.74	108,73	533,70	1,359,33
30-12-1955 ..	1,361,98	12,04	1,374,01	40,02	686,88	726,90	52.90	108,44	538,67	1,374,01
6-1-1956 ..	1,385,71	11,60	1,397,30	40,02	691,91	731,93	52.38	106,83	558,55	1,397,30
13-1-1956 ..	1,388,75	13,00	1,401,75	40,02	691,91	731,93	52.22	106,83	563,62	1,401,75
20-1-1956 ..	1,382,71	19,11	1,401,83	40,02	667,07	707,09	50.44	106,89	598,36	1,401,83

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Utter Governments	Banks	Others	Total									
1938-39*	14,90		16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	90
1947-48*	366,79	16,93	102,47	34,21	520,40	14,55	544,96	47,24	2,62	406,95	1,57	21	81,53	4,85
1948-49*	222,17 (14,33)	6,62 (3,04)	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
1949-50*	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	960,54	4,34
1950-51*	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2,37	6,77	76,72	5,06
1951-52*	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53*	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54*	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19,84	81,58	7,61
1954-55*	89,13	20,60	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	26,55	80,52	9,82
Average of Fridays														
February 1955	51,26	16,81	50,78	34,15	152,99	24,13	189,13	12,72	2,71	68,78	1,08	21,98	67,22	14,69
March "	58,81	37,71	47,51	21,84	165,87	29,58	205,45	12,54	8,59	70,73	95	42,26	51,07	21,03
April "	56,47	36,38	47,74	22,05	162,55	32,79	205,34	18,59	11,96	69,30	51	36,73	45,26	22,92
May "	52,0	17,00	48,89	22,08	141,84	38,25	190,08	15,28	11,46	51,97	80	40,22	41,51	28,76
June "	55,64	12,33	50,02	21,89	139,88	43,80	194,44	18,10	12,78	63,67	100	28,61	39,55	20,88
July "	76,93	17,83	50,62	19,03	164,40	32,13	206,52	29,47	9,53	69,84	88	32,44	58,34	6,02
August "	87,33	20,66	51,35	20,28	179,12	30,62	219,74	26,64	9,90	86,25	1,92	25,04	62,18	7,74
September "	60,36	18,28	55,51	16,91	151,06	21,26	182,32	23,63	13,68	51,57	1,02	28,64	52,13	11,65
October "	50,15	23,59	61,12	15,97	150,84	25,92	186,76	11,10	9,30	72,93	76	20,52	50,24	12,17
November "	54,93	14,81	58,52	15,46	143,57	29,71	183,43	14,40	7,37	80,45	2,22	24,17	50,09	12,21
December "	54,13	8,44	57,88	15,97	136,01	34,76	181,17	10,25	8,11	63,93	3,97	31,67	50,49	12,76
Week Ending														
23-12-1955	50,95	7,95	55,24	16,08	130,22	37,13	177,34	7,87	9,16	59,37	5,29	32,19	50,43	13,03
30-12-1955	54,01	10,62	57,87	15,81	138,31	36,13	184,45	12,16	12,07	48,30	3,66	44,63	50,54	13,09
6-1-1956														
12-1-1956	54,11	9,73	51,79	15,62	131,24	38,09	179,33	11,71	11,83	43,40	4,11	44,68	50,51	13,09
19-1-1956	52,11	8,46	55,06	15,83	131,47	51,14	182,61	13,12	13,70	43,96	3,58	43,48	51,59	13,18
26-1-1956	50,30	13,38	67,51	21,41	152,60	55,06	207,66	19,26	6,89	72,53	1,82	42,59	51,24	13,31

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Fund. *Average of Fridays. †Includes cash and short term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39*	123,81	103,30	227,11	6,38	15,88	9.80	111,34	480	51.06	..
1947-48*	706,65	343,89	1,050,54	39,92	100,81	13.40	427,54	16,32	42.30	..
1948-49*	674,56	303,88	978,44	37,51	76,63	11.67	424,85	16,44	45.10	..
1949-50*	597,79	272,59	870,38	34,47	65,85	11.53	426,74	15,35	50.79	..
1950-51*	599,13	278,45	877,59	34,68	60,78	10.88	447,03	11,87	52.29	..
1951-52*	593,73	290,82	884,55	37,33	57,29	10.70	523,59	22,81	63.06	308,43
1952-53*	546,23	309,26	855,49	33,33	51,82	9.95	481,64	38,47	60.48	308,34
1953-54*	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	59.56	321,29
1954-55*	559,62	351,86	911,48	32,68	53,91	9.50	468,39	84,06	62.08	339,74
Average of Fridays										
June 1955	596,14	394,82	990,75	34,71	49,13	8.46	501,44	114,19†	63.98	346,47
July ..	600,22	403,14	1,003,36	33,80	49,01	8.30	499,64	110,56†	62.73	362,67
August ..	605,00	409,09	1,014,08	34,15	49,19	8.22	495,96	110,80†	61.76	373,92
September ..	604,02	413,69	1,017,87	33,22	54,14	8.58	498,19	106,18†	61.15	381,86
October ..	612,82	422,93	1,035,77	33,98	59,64	9.94	484,87	105,51†	59.24	390,42
November ..	612,61	423,85	1,036,46	35,22	57,05	8.90	491,93	105,00†	59.79	393,43
December ..	613,68	422,24	1,035,92	38,93	58,38	9.39	503,02	107,60†	61.04	390,56
Week Ending										
16-12-1955	613,00	421,15	1,034,85	34,07	54,24	8.53	508,71	105,16†	61.03	391,93
23-12-1955	606,68	420,28	1,026,95	33,95	55,70	8.73	513,60	108,62†	61.76	387,93
30-12-1955	614,48	418,40	1,329,88	38,06	60,17	9.51	516,73	114,72†	62.15	385,05
6-1-1956	614,62	413,33	1,027,96	38,27	60,48	8.63	526,99	125,01†	64.24	382,93
13-1-1956	633,11	412,51	1,045,62	35,95	51,92	8.40	533,09	129,96†	64.33	381,92

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY

(Lakhs of rupees.)

Last Friday		Money supply	Total currency with the public	Deposit money with the public			Total variations in money supply
				Total	Demand liabilities of banks	Total deposits with Reserve Bank (excluding those of central Govt. & Banks)	
1		(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1952-53	..	1,784,55	1,199,25	585,30	548,95	36,35	-44,30
1953-54	..	1,856,57	1,229,43	627,14	549,83	77,30	+72,02
1954-55	..	1,980,90	1,311,77	669,13	599,18	69,97	+124,33
October 1954	..	1,797,27	1,185,44	611,83	579,08	32,75	+23,27
November	..	1,807,86	1,188,45	619,40	591,39	28,01	+10,59
December	..	1,848,89	1,224,61	624,28	597,20	27,08	+41,03
January 1955	..	1,877,73	1,245,91	631,82	601,04	30,78	+28,84
February	..	1,915,34	1,272,35	643,00	610,04	32,96	+37,61
March	..	1,980,90	1,311,77	669,13	599,16	69,97	+65,66
April	..	2,003,14	1,342,90	660,23	614,26	45,98	+22,24
May	..	1,989,50	1,348,41	641,09	616,96	24,12	-13,64
June	..	1,988,42	1,343,74	644,67	623,43	21,24	-108
July	..	1,974,91	1,324,80	650,11	619,53	30,58	-13,51
August	..	1,995,61	1,314,74	640,88	632,86	48,02	+26,70
September	..	1,964,53*	1,309,86*	654,67*	631,32*	23,35	-31,68*
October	..	2,007,73*	1,331,41*	676,32*	634,96*	41,35	+43,20*
November	..	2,014,08*	1,351,91*	662,17*	638,93*	23,24	+6,25*

**INDEX NUMBERS OF COST OF LIVING AND WHOLESALE PRICES
IN FOREIGN COUNTRIES**
(Monthly averages or calendar months)

(Base adjusted to 1948=100)

			Cost of Living			Wholesale Prices		
			Japan (1)	U.S.A.	U.K.	Japan	U.S.A.	U.K.
1950	..	..	123	100	106	193	99	20
1951	..	..	143	108	116	268	110	146
1952	..	..	150	110	126	273	107	149
1953	..	..	160	111	130	277	105	150
1954	..	..	170	112	132	281 (3)	106	151
1953	November	..	166	112	130	281	105	149
	December	..	166	112	130	282	105	149
1954	January	..	169	112	130	288	106	149
	February	..	170	112	130	289	106	149
	March	..	170	112	131	287	106	150
	April	..	171	111	132	277	106	150
	May	..	170	112	131	280	106	151
	June	..	171	112	132	277	105	152
	July	..	172	112	134	278	106	150
	August	..	172	112	133	275	106	150
	September	..	171	112	133	275	105	150
	October	..	173	111	134	274	105	150
	November	..	169	111	134	279 (2)	105	151
	December	..	168	111	135	268	105	153
1955	January	..	170	111	136	269	105	154
	February	..	170	111	136	270	106	154
	March	..	169	111	136	271	105	153
	April	..	170	111	136	268	106	152
	May	..	169	111	136	266	105	152
	June	..	168	111	139	264	106	153
	July	..	167	112	139	266	106	156
	August	..	169	111	138	267	106	156
	September	..	..	112	139	..	107	156

(1) New series (base 1951=100) linked to the old index at January 1951.

(2) New series (base 1952=100) linked to the old index at 1952.

(3) Average for ten months.

Source: U.S. Monthly Bulletin of Statistics.

LATEST CROP ESTIMATES

Crop	Estimate	Area		Tons (‘000)	Yield Increase + or de- crease — over the corresponding estimate of the previous year (per cent)	
		Acres (‘000)	Increase + or de- crease — over the corresponding estimate of the previous year (per cent)			
Food grains:						
Rice	Second	1955-56	72,332	+4.1	23,775	+7.4
Wheat	Final	1954-55	26,842	+2.0	8,539	+8.5
Jowar	First	1955-56	25,723	-3.7	..	..
Bajra	First	1955-56	23,720	-6.0	..	..
Maise	First	1955-56	8,088	-9.4	..	..
Ragi	First	1955-56	4,993	-1.1	..	..
Barley	Final	1954-55	7,999	-8.3	2,786	-4.1
Oats	Final	1954-55	20,991	+6.3	5,125	+7.3
Sugar cane	Second	1955-56	3,930	+5.7	5,079	+4.6
Oilseeds						
i. Edible—						
Sesamum	Second	1955-56	4,330	-6.4	..	..
Groundnut	Second	1955-56	10,982	-0.2	..	..
Rape & Mustard	Second	1954-55	2,087	+2.1	..	..
ii. Non-edible						
Linseed	Final	1954-55	3,290	-2.1	388	+3.7
Castorseed	Final	1954-55	1,273	-7.3	112	+3.7
Fibres:						
Cotton	Second	1955-56	15,373	+9.5	..	..
Jute	First	1955-56	1,343	+0.7	..	..
Other Crops:						
Tobacco	Final	1954-55	860	-5.7	248	-7.5
Potato	Final	1954-55	665	+4.7	1,762	-8.4

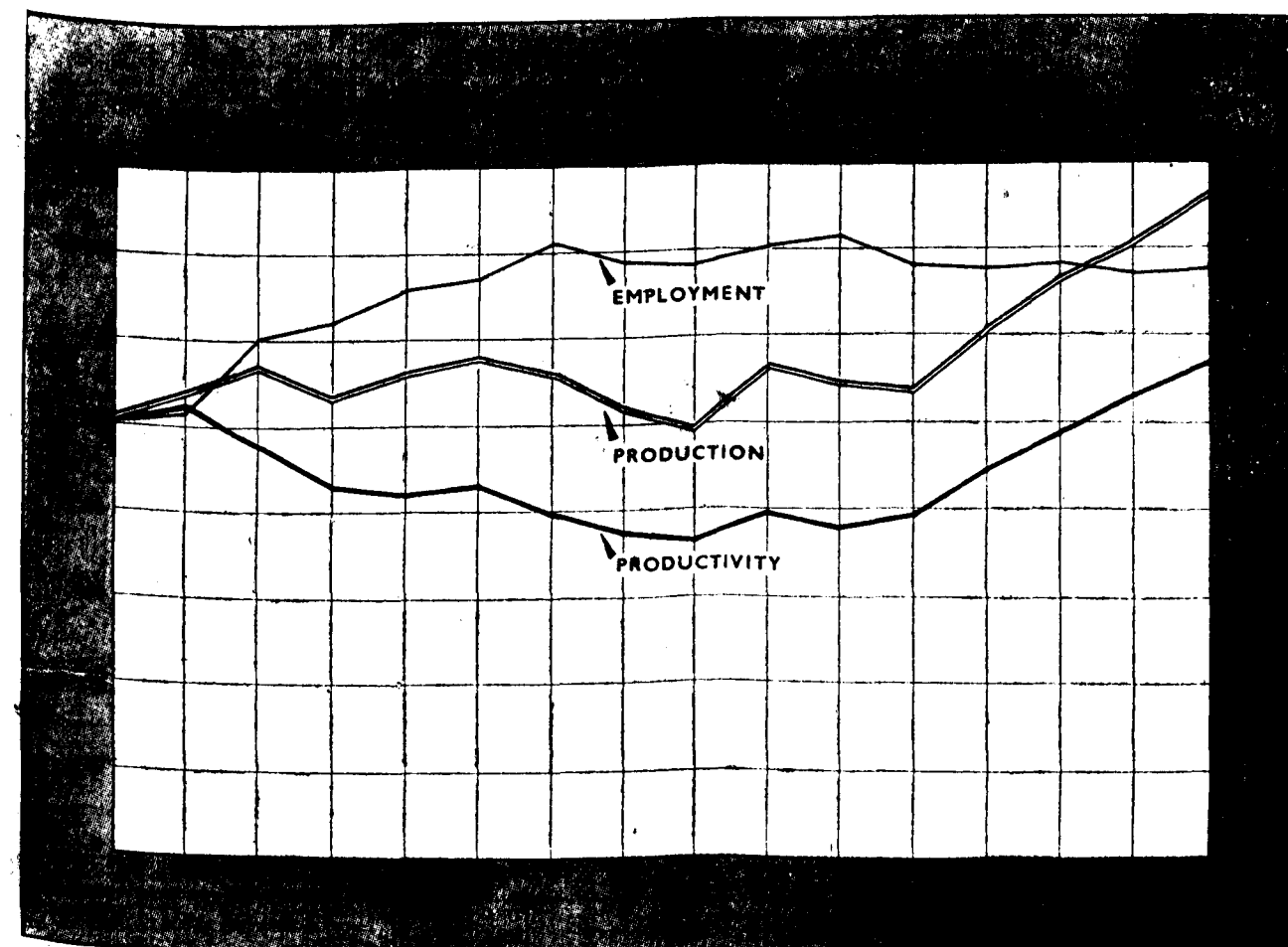
Source: Ministry of Food and Agriculture.

INDEX NUMBERS OF INDIAN INDUSTRIAL PRODUCTION

(Base: 1939=100)

Year	Cotton Textile	Jute Manufactures	Paper	Iron and Steel	Cement	Sugar	Chemicals	Weighted Index of Industrial Production
Weights based on labour cost	57.38	25.32	1.18	4.53	0.93	5.46	5.20	100.00
1940	99.3	104.0	125.6	100.4	99.5	169.6	128.3	106.2
1941	110.1	100.0	137.2	104.9	121.5	173.1	147.4	113.1
1942	97.8	107.7	133.2	109.3	127.2	125.4	133.5	104.9
1943	112.2	91.3	132.6	113.2	123.2	152.5	133.4	110.6
1944	117.8	93.8	142.6	111.7	119.1	155.3	131.5	114.5
1945	115.1	91.3	145.4	114.3	128.5	136.8	121.6	111.0
1946	97.7	91.5	143.1	104.0	118.4	128.8	129.1	100.5
1947	93.6	88.4	125.6	98.4	111.2	125.7	132.6	96.8
1948	99.6	91.7	132.2	98.4	119.2	150.1	204.6	106.3
1949	97.4	77.6	139.4	108.8	161.4	139.7	250.8	104.3
1950	89.0	70.3	147.0	115.6	200.7	136.3	296.6	100.5
1951	99.0	73.6	178.0	120.6	245.3	155.6	335.9	111.3
1952	111.2	80.0	185.6	126.9	271.5	208.5	501.9	132.0
1953	117.1	73.0	188.6	121.2	290.2	108.2	668.3	140.7
1954	120.5	78.0	209.6	135.4	337.6	140.6	803.5	150.1

Source: Indian Labour Gazette

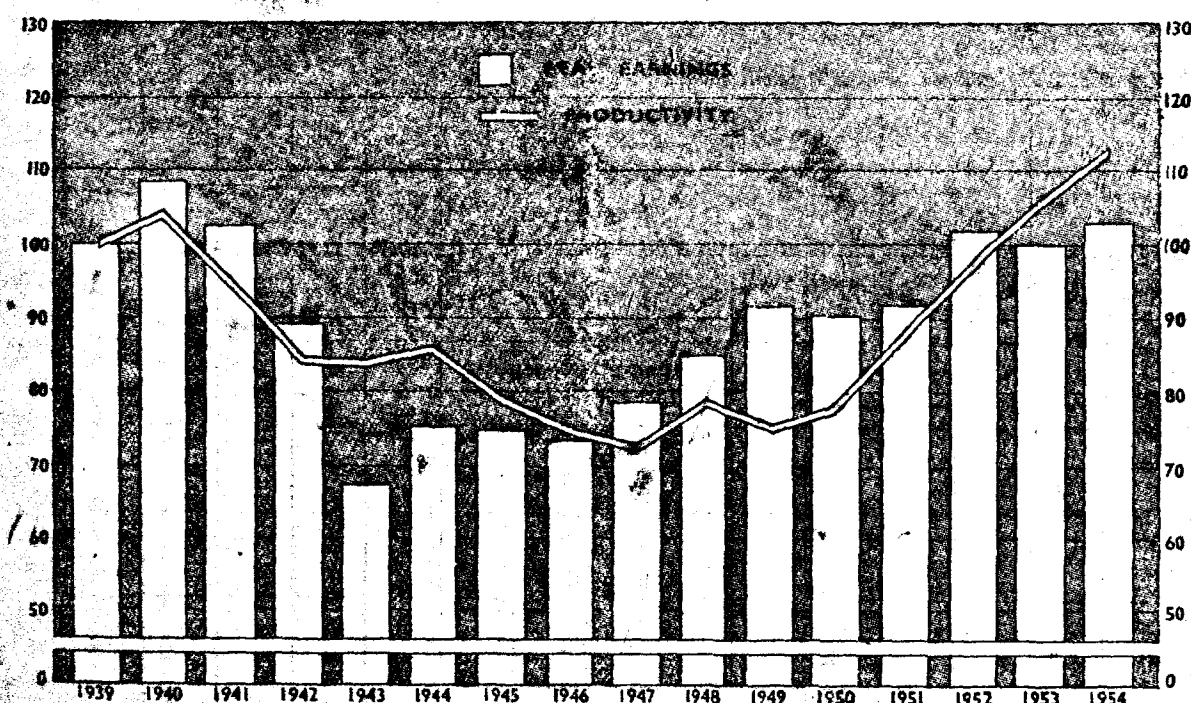


INDICES OF REAL EARNINGS AND PRODUCTIVITY IN INDUSTRY

		Index of Earnings (x)	All India Consumer Price Index (y)	Index of Real Earnings $\left(\frac{x}{y} \times 100\right)$	Index of Employment (E)	Index of Production (P)	Index of Productivity $\left(\frac{P}{E} \times 100\right)$
1939	..	100.0	100	100.0	100.0	100.0	100.0
1940	..	105.3	97	108.6	103.7	108.1	104.2
1941	..	111.0	107	103.7	120.6	114.3	94.8
1942	..	129.1	145	89.0	125.3	106.9	85.3
1943	..	179.6	268	67.0	132.8	112.2	84.5
1944	..	202.1	269	75.1	134.1	115.7	86.3
1945	..	201.5	269	74.9	141.5	112.5	79.5
1946	..	208.6	285	73.2	137.8	102.9	74.7
1947	..	253.2	323	78.4	136.6	99.1	72.5
1948	..	304.0	360	84.4	141.4	112.3	79.5
1949	..	340.3	371	91.7	143.3	108.4	75.6
1950	..	334.2	371	90.1	136.0	107.2	78.8
1951	..	356.8	387	92.2	136.7	120.4	88.7
1952	..	385.7	379	101.8	136.7	133.2	97.4
1953	..	384.6	385	99.9	133.1	140.8	105.8
1954	..	381.2	371	102.7	135.9	153.6	113.0

Source: Indian Labour Gazette, November, 1955.

TREND IN THE INDICES OF PRODUCTIVITY AND REAL EARNINGS

BASE: 1939=100
(INDEX NUMBERS)Printed and Published by Devi Prasad Sharma at the Hindustan Times Press,
"The Eastern Economist" Ltd., 52, Queensway, New Delhi. Editor:—E. P. W. da Costa, M.A. (Oxon.)

The Eastern Economist

VOL. XXVI. NO. 6

NEW DELHI: FEBRUARY 10, 1956.

ONE RUPEE

CONTENTS

Leading Articles:

INDIA'S SECOND PLAN	193
THE AMRITSAR CONGRESS	195
POLICY FOR SHIPPING	196

THE WEEK'S NOTES

Another Step in Merger Move; India and Big Power Status; No Orchids for Eden; Grim Outlook for Algeria; Road Transport Policy; Parliamentary Control of State Enterprises.

A WINDOW ON THE WORLD

Odysseus on "The Economic 2nd XI"	203
-----------------------------------	-----

ECONOMIC REPORT FROM THE U.S.:

"People's Capitalism"	205
-----------------------	-----

WORLDGRAM AND NEWS IN BRIEF

	207
--	-----

Special Articles:

FROM WEALTH TO CAPITAL CO-EFFICIENTS—III By Colin Clark	211
INDIA'S ADMINISTRATIVE PROBLEM By Sardar K. M. Panikkar	212

The Business World:

Sales-Tax Law Validation Ordinance 1956	217
Indo-German Chamber of Commerce	218

LETTERS TO THE EDITOR

BUSINESS NOTES

New Steel Price; Indo-US Air Agreement at Long Last; Payment by Result; Power Transformers; New Peaks in in US Economy: 1955; Higher Cost of Advances to Banks.	219
---	-----

COMPANY AFFAIRS

COMMODITY NEWS AND NOTES

CURRENT STATISTICS

India's Second Plan

THE appearance of India's second Five-Year Plan today has made Friday, February 10, one more of those historic days with which India's calendar is now so liberally adorned. This is only, it is true, a summary; but brevity may still be the soul of wit. It is right that one should pay tribute to the skill with which the tremendous clash of interests as well as the oppressive mass of detail have been reconciled in an integrated whole. It may be that much confusing argument which stands behind the ideology will in due course emerge. But this is not the place for criticism. We need not express agreement with the Plan either in outline or in detail to express admiration

for the comprehensive character of its first presentation. It is right that a great tribute should be paid to the Secretariat of the Planning Commission for the quality of its reporting. Both in the economy of words and in the emphasis in its presentation, the second Five-Year Plan records a great improvement on the first.

While this tribute should be paid, very few will accord to the Planning Commission any virtue arising from the element of surprise. Almost everything that the second Plan contains has been known for many weeks. A 25 per cent rise in National Income, with the total investment of

Rs. 4,800 crores in the public sector and Rs. 2,300 crores in the private sector; per capita income to rise by 18 per cent, with a rate of investment increasing from 7 per cent of National Income to 12 per cent; agriculture, community development, irrigation and power to rise by 30 per cent; industries, minerals and transport by 48 per cent; social services and others by 22 per cent; additional employment for about 10 millions of persons of which 8 million jobs would be outside agriculture; all this, and Heaven too. The social appeal of the Plan would not be complete without fashionable lip-service to "the recognition of the private sector's role" and a not-so-innocuous recognition "of the need for reduction of inequalities of income and wealth and a more even distribution of economic power."

The Eastern Economist is publishing with its Budget Number in the first week of March an elaborate critique of India's second Five-Year Plan. This is not the occasion—and this is certainly not the time since the Plan was issued only this morning—to undertake any elaborate examination of the principles by which the development of the economy is sought to be achieved and the likelihood of generous aspirations being matched by vigorous performance. It is enough to say at this stage that *The Eastern Economist* believes firmly that the loads which have been assigned to the public and the private sectors in the Plan are disproportionate, not in the sense that they are wrong in theory, but that they in actual fact will lead to great difficulties in implementation. The public sector is just not equipped to undertake all that it now sets out to claim for its own. The danger is that, while it will fail in its portion of the Plan, the private sector will be denied an opportunity to make good the gap by the failure to provide for investment in advance and the necessary incentives with which alone it can go to work.

It is these problems—lack of managerial and administrative capacity in the public sector and the erosion of incentives in the private sector—which are fundamental to an appreciation of the character of India's second Five-Year Plan. There is no reason why national income in the Indian Union should not in the next five years rise by over 5 per cent per year, provided the task of implementation was given over to proved and tried agencies. When one analyses performance in the first Five-Year Plan, one has to recognise that the basic fact is that the public sector is, in almost every respect, behind schedule while the private sector is ahead of it. If the first Five-Year Plan is today a great success, it is entirely because the volume of overfulfilment in the private sector has greatly exceeded the underfulfilment of the public sector. In other words, it is the private, not the public, sector which has done the job.

Ignoring this fundamental historical fact, which is only a reflection of the capacity of the two sectors at this time, the second Plan gives to the public sector double its load in the first Five-Year Plan as well as more than double the load it accords to the private sector. It thus inverts capacity; having laid down arbitrary targets between the sectors, it assumes, without any shadow of evidence, that performance will match the assignment of loads. Even if incentives in

the private sector were not being eroded in the calculating manner of blocking opportunities and imposing crippling personal taxation, there would be a risk of non-fulfilment because of the gap of underfulfilment in the public sector which would be too large for even a vigorous private sector to cover. But the ideology behind the Plan has been translated in such a manner that the private sector will have no deep interest in overfulfilling itself. It is obvious that under these circumstances the Plan will run the great risk of failure unless some drastic action is taken to provide for the administrative gaps in the public sector.

These administrative gaps mean, quite simply, the training of the necessary managers in a very short period and the organisation of responsibility on commercial lines. A public sector manager must be allowed to function without all the political handicaps which now operate. There is no indication that any such conditions are being developed. Technical assistance can be bought to a great extent and the new provisions for allowing foreign technicians in businesses free of taxation should make it possible for technical bottlenecks to be broken provided only recruitment is immediately set in operation. The immediate bottleneck in technology is not technicians so much as the elaborate blue-prints which can only be prepared with the necessary speed with large teams of consulting engineers and numerous collaboration agreements. Far too little time and thought has been given to the difficulty of getting the Plan off the general descriptive phase and making the detailed blue-prints required in each case. This and no other is the public sector's problem currently to be faced.

Assuming—as seems to be evident—that no basic change in the philosophy of the Plan can now be contemplated, one needs to make the best of the mistakes which a highly coloured political situation has imposed on India's economic affairs. For political reasons on the eve of the elections, the Government of India has chosen to subdue the active agents of India's economic society in order to placate the passive and inert sectors of the economy. For political and even social reasons this decision might be applauded. But, unless the Government of India recognises the inertness in the sectors of the economy to which it has assigned momentous tasks, there will come another time and another election when its political astuteness may well be questioned.

With Jawaharlal Nehru at the head of the Government, that day may be long in coming. But facts are cruel things; they will take no notice of the emotional longings of the Indian people. And, indeed, emotions are themselves the results of facts. It is by deeds, and not by promises, that the Government of India will win the approbation of the Indian people. At the present time, practically all its production has been done by the active agents of India's private sector. If new agencies cannot be created within the time allotted and the old agents are deprived of the opportunities to excel in production as they have done in the last five years, there will come, as certainly as night after day, a questioning of the ideology which stands behind this Plan. The next five years will test the public sector; the last five years proved the private sector. Let all things be tested; only let us hold fast to that which is good.

The Amritsar Congress

THE Amritsar session of the Indian National Congress which commences tomorrow may prove no exception to the rule by which all such sessions have been described as eventful or historic. These common clichés of the columnists have been relevant only to the unfailingly impressive spectacle which the plenary sessions have provided than to the hard core of objectives or doctrine formulated or propagated therein. Skill in the organisation of the show has been developed in the last few years to provide a secondary source of political prestige to the Congress as a party administering State power. In spite of its changed role since independence, the Congress has not altered its system of organisation. Before freedom, it was under a necessity to make itself the focus of allegiance as a rival to British Raj, but even today it continues to claim a similar status and has largely succeeded because there has been no successful challenge to its role as a trustee of political power in India. It is thus that more importance is attached to the formulation of its objectives or its rediscovery of old slogans at Congress sessions; the question has therefore been asked whether Amritsar would presage anything new, in the sense in which Avadi made history last year.

The Avadi session is famous for its having provided the platform for the proclamation of the goal of the socialistic pattern of society. There has also been a translation of that objective in practical terms of policy by the steps taken since then to nationalise the Imperial Bank and insurance business and to enact the Constitutional Fourth Amendment and the Company Law. In this sense the Avadi Congress has become a kind of landmark, though the socialistic pattern of Congress policy has always remained imbedded in its philosophy. Politically, it was a necessary part of the doctrine of equality of man which was fundamental to Congress opposition to colonial rule. But even in its economic aspects, sufficient indications were available in the work of the National Planning Committee of the Indian National Congress, where the refrain on nationalisation at first appeared to be only an individual obsession of the chief draftsman of the Reports, the late Mr. K. T. Shah. The early years of independence seemed to indicate a compromise in practice with the realities of administration and a modification of the policies envisaged before. The actual working of the Industrial Policy Resolution of 1948 (the first major step towards the implementation of socialism underlying the planning report) and the interpretation of the Constitutional objectives put into the Preamble and the Directive Principles of State Policy have so far appeared to be the sagacious acceptance of what was feasible. The Avadi Congress was significant because it marked an abrupt change; it laid emphasis on a return to the earlier objectives, if not in as unqualified terms as before. The difference, however, is that these restatements of some of the old doctrines are being made after a fairly long and fruitful period of experience in practical administration and thereby larger significance is attached to them than when they were divorced from practice and appeared to be purely idealistic.

The major difference between then and now is that in formulating objectives, there is an increasing trend towards identity of views which is

more the result of enforcement from above than of a spontaneous unanimity. The Congress as a national organisation, which it still wishes to be, must be in a position to accommodate more points of view than what it can afford to do in the normal course of its functioning as a political party, with a programme to execute inside the legislatures and canvass public support to assist it. The circumstances in which criticism could be freely given and taken before, have now changed, because the men who could effectively mould political opinion have diminished in number and even more in influence. Whatever criticism exists has been driven below the surface of Congress politics; this is perhaps due less to deliberate design than to a combination of other factors. The distinctions between the various aspects of party organisation have become blurred or extinct altogether, with the result that many limbs of Government, like the Planning Commission, appear to work for party ends. The result has been to make deviations from popularly accepted notions unacceptable with the consequence that criticism has increasingly become the stock-in-trade of the least responsible and most unbalanced sections of the community.

The dominating thought at Amritsar is the search for national unity, which has become urgent because of the sudden discovery since the recent riots that Indian unity has not been nearly as good as it has been often assumed. There is some exaggeration involved in this approach. The Congress in office has only helped to submerge differences that have existed by pressure, not solved them; the result is that these differences tend to erupt later in the body politic on other pretexts, however flimsy. The question of States' reorganisation has become one such pretext; if the whole subject had continued to be discussed all the time as freely as now, some of the ideas that are presenting themselves as possible solutions might have occurred even earlier without coming as revelations. The belief that there was one unbroken surface of unity under Congress rule in the sense of uniform acceptance was too facile; it was possible to hold this belief only because uniformity was largely enforced by the preponderance of the Congress as a party and the towering stature of its *de facto* leader.

The Amritsar Congress will not be able to take a step towards a right solution for the simple reason that the apparent unanimity in public discussion often covers up a lack of unanimity in thought and opinion. Both in acquiring political power and in preventing opposition, the Congress organisation has become diluted. It has sought to wipe out communalism by incorporating some of it in its own ranks in the interests of political success. In disarming the Communists by its foreign policy and in confusing the Socialists by its economic policy, the Congress has greatly widened its structure but not effectively unified its organisation. It is, therefore, now faced with the problem of meeting all the expectations of varying groups, who might otherwise have sought refuge elsewhere or whose opposition might have been canalised through vehement public criticism, without showing itself in bitterness. A deeper understanding of social forces in the country would still help the Congress as a party to do better.

Policy for Shipping

IN the last few days speculation has been rife whether shipping will be singled out as the next casualty of nationalisation. This apprehension cannot be considered as altogether without foundation. Hitherto no declaration of policy on the ownership of shipping was called for and it was in a different context that nine years ago Government announced its decision to participate in the share capital of the projected shipping corporations for plying the overseas trade. The issue whether shipping should be taken over by the public sector did not then arise at all. This threat cannot be ruled out in the case of shipping, notwithstanding the absence of any open discussion in respect of it at the official level. Civil aviation is a case in point.

To drag the issue of nationalisation of shipping at this juncture would be putting the cart before the horse. The most vital problem for the country's shipping at the present time is the expansion of tonnage at the maximum practicable rate and it is bound to remain the major problem during the next three, or even four, Five-Year Plans. Whether shipping is to be permitted to remain in the private sector is entirely a secondary issue. It can even be affirmed with justification that in view of the present regulation of shipping, nationalisation will amount to a formal change in ownership, which cannot show advantages to offset the dislocation.

The extent to which financial assistance granted by the Government to private shipping companies during the period of the first Plan has dominated their capital structure needs much wider appreciation than is generally accorded to it. A total amount of Rs. 12 crores is estimated to have been advanced to them by way of loans for purchase of ships in the first four years of the Plan and, in view of the fact that requests for loans gained momentum at a late stage after their terms were liberalised, the allotment of Rs. 19 crores in the Plan period can certainly be depended upon to be fully absorbed. This aggregate amount easily exceeds the paid-up capital of the borrowing companies. In the second Five-Year Plan, Government outlay on shipping has been placed at Rs. 45 crores as against which the contribution of the private sector cannot be more than one-fifth. There is nothing extraordinary in the assistance of this magnitude and international comparisons will bear out its inadequate scale. Nevertheless, with Government possessing predominant control over the finances of the shipping companies and wielding ample powers of regulation over their management policies including determination of rates for the coastal trade and conditions of service of personnel, little substantial gain is likely to be achieved by nationalisation. An analysis of recent balance sheets of a representative group of nine companies, comprising the three big ones and six medium-sized, discloses their combined profits to be merely a little in excess of Rs. 1.5 crores. Under State management most of this modest quantum is bound to be eaten up by inflated costs. On the score of net revenue, there is a very feeble case for nationalisation of shipping.

This country has made a start only recently in operating scheduled services on a mentionable scale in the adjacent and distant waters. A nucleus of indigenous managerial cadres is still being evolved in the private sector and while it is in the initial stages it has to compete with the

demands of the public sector. The State-participated Eastern Shipping Corporation draws its sustenance for management from the country's premier operator. The second shipping corporation which is to be floated this year is to function on a similar basis of management by a private company. The case of the tanker fleet, which is a novel sphere of trade to this country, has a deeper moral to convey. Private collaboration has now been decided upon by the Government presumably in the interest of smooth and flexible management. This course is being adopted in the hope that a technical hitch in Government's agreements with the oil refinery companies will be got over and adequate business will be obtained from them to engage the tankers notwithstanding their mixed ownership. Future expansion of India's shipping industry is to be planned mainly in the direction of the distant overseas trade and the pattern of corporations prescribed for it, which envisages predominant State ownership, will lean almost entirely on private operators for management. A course which suggests the extinction of this limited source of supply has little to commend it.

The real problem which calls for a bold and forthright solution is the expansion of tonnage. We have moved at a snail's pace in achieving progressive development of our merchant navy. The net addition to our tonnage in the first Plan, after making appropriate provision for obsolescence, has been as low as 210,000 GRT, which takes the total tonnage to about 600,000. In the meantime, there have been setbacks on other fronts. Five years after the reservation of coastal shipping for Indian operators we have discovered that foreign tramps have to be pressed into service in this trade. Our pious belief of hundred per cent acquisition of this sphere has been upset. We are now waking to the realisation of establishing a tramp fleet with a capacity of 60,000 tons to be built in the second Plan.

We are carrying merely 40 per cent of the adjacent trade and a fractional share in the overseas trade amounting to 5 per cent. The expansion contemplated in the second Plan does not make any substantial advance over the first Plan with a net addition of 300,000 tons. In March 1961 our shipping will have reached a target of 900,000 tons. At this level we will have achieved half of the target in about double the number of years prescribed by the Post-War Reconstruction Shipping Policy Sub-Committee whose recommendations are supposed to govern our policy. The inadequacy of the achievement is apparent. The tonnage in 1961 will leave us short of the accepted goal of carrying 50 per cent of the overseas trade by a large margin of 30 per cent, besides the deficiency of 25 per cent in the adjacent trade. The most vital aspect of this expansion relates to saving of foreign exchange of which we are spending a very large sum on shipping services. The basic object of shipping policy must be to conserve this outlay on a progressive scale. It may be possible to establish a relationship between the foreign exchange needed to acquire foreign-built ships every year and the period during which that foreign exchange will be completely saved by our ocean-going services. It would then be possible to plan better for the expansion of the fleet. Let our thoughts turn on this more vital aspect of our national interests in shipping instead of to the dubious values of transfers of ownership.

It's a
BIG job



looking
for oil

Have you ever considered what a long, elaborate and costly business it is looking for oil? Although oil lies thousands of feet underground, the oil prospector may have to take to the air—to photograph the lie of the land and make aeromagnetic surveys. Or he may create artificial earthquakes, in what is called a seismic survey. Then the findings have to be interpreted, in geophysical laboratories, before a test well is bored perhaps to a depth of as much as three miles.

The Assam Oil Company, for many years the pioneer of oil search in India, discovered a fresh source of oil recently at Nahorkatiya in Upper Assam. Crores of rupees have been spent in the search and many more will have to be spent on the development of this discovery.

And all the time, remember, the search for more oil is going on—for further sources of this most elusive mineral are vital for India's industrial development. All the very latest scientific methods and technical equipment, including aeromagnetometers and even helicopters, are being employed. No effort in fact is being spared to reduce India's dependence on oil purchases from abroad.

ASSAM OIL COMPANY
does it all



A member of the
Esso Group of Oil Companies

PROSPECTING • DRILLING • PRODUCING • REFINING

Save valuable working hours!

FAST NEW Night Air Service

by Luxurious 4-engined

Skymaster

**to BOMBAY-CALCUTTA
DELHI-MADRAS via NAGPUR**



SAVE precious time and unnecessary expenditure on the way—fly overnight by new, luxurious Skymaster service, connecting Bombay, Delhi, Calcutta, Nagpur and Madras. The new service cuts out irritating overnight stops, lands you in time for breakfast—and it is carefully scheduled to connect with 34 morning flights from the big airports. So by midday tomorrow, you can reach almost any important town in India!

Wherever you want to go, whichever flight you choose—Skymaster service makes sure you get there in time! And you have complimentary meals, free travel to and from airport, everything. No extras to pay.



For details contact an IAC Booking Office or your Travel Agent

**INDIAN AIRLINES
CORPORATION**

Malhotra Building, Queensway, Delhi
Telephone: 40071 (4 lines)

THE WEEK'S NOTES

ANOTHER STEP IN MERGER MOVE

IN FORMULATING his proposals on how the union of West Bengal and Bihar should be brought about, Dr. B. C. Roy has shown the same vision and courage which inspired him and Dr. Sri Krishna Sinha to start the move as a means of diverting attention from all petty border disputes between the two States. It is obvious that the internal structure of the two regions will have to continue as they are now until uniformity can be brought about gradually in course of time. The land system, the tenancy laws and the modes of taxation will not lend themselves to sudden changes without upsetting the economies of the two regions. In these matters, as in respect to provision for social services, uniformity is certainly desirable, and it should be possible to bring about such uniformity in the course of five to ten years. Nor can there be any objection to the languages of the two States—Bengali and Hindi—being the official languages of the united State, with the language of each region having predominance in that region.

It is in regard to the administrative set-up that the union should be fully operative in the first instance. There is to be a single legislature, a single Cabinet, one Governor and a common Public Service Commission. Most of the Government posts in the two regions will be filled by people from the region concerned, at least for some years to come. The regional council for each region, composed of the legislators from the region and presided over by a Minister from the area, should serve as an effective forum, in addition to the legislature, where each region's requirements can be debated and presented. Dr. Roy has also proposed that there should be a Deputy Chief Minister who will belong to the region from which the Chief Minister does not hail. Calcutta, obviously by reason of its size and importance, is to be the primary capital with Patna as the secondary capital.

These are but the bare outlines of the future set-up, but they should be enough to assure both regions that union will not mean domination by the other. It is indeed idle to claim that merger can be brought about straightway, but it is a good augury that the Chief Ministers of the two States realise that many problems will arise and are determined to tackle them to make union a success. Not merely as an example to the rest of the country, but even by itself, the West Bengal-Bihar union will be both economically and politically a wise step. Apart from some economies which can be effected immediately, such a union will make possible a more co-ordinated development of the rich industrial areas of the two States which can be better developed as one unit like the Ruhr Valley. As a means of settling the border disputes which the linguistic principle has started off, this is the best way, for, as Dr. Roy pointed out, there will be no end to this sort of claims and counter-claims. It is also worth noting that the linguistic basis is insisted on only when it is advantageous to a particular group, while the same group does not hesitate, unmindful of its inconsistency, to resist it where its application is likely to involve loss of territory.

INDIA AND BIG POWER STATUS

MR. DAG HAMMARSKJÖLD'S statement at a Press conference in New Delhi that "the immediate future is not the right time to raise the issue" of according Big Power status to India, might have been unwelcome to those who had felt elated by Mr. Khrushchev's ready espousal of this cause. The difficulties involved in the proposal, which requires major changes in the UN Charter, are many. It seems logical to argue that Big Power status should be determined by population

and influence as by military or colonial power and the biggest anomaly next only to the successful exclusion of a Big Power like China has been the oddity of France enjoying this status without the political capacity to play the role. These are not precisely inducements for other countries to seek this status as a particularly significant thing by itself.

There are other reasons why India should not be too much concerned about this matter at this stage. There would be a reluctance here to seek the power of veto even though its existence is accepted as an inevitable evil necessary for the maintenance of the United Nations. Indian interests abroad are not of the character that need to be defended by such power and we should be content to leave many of these disputes to be adjudged by world opinion. The use of the veto is an undemocratic procedure and there is no joy in getting it unless it is intended to use it. The next advantage, of a permanent seat in the Security Council, should not prove very tempting either. So long as the Council is torn by the veto it is thrown into the background; when the veto ceases to operate, if ever, the major problems of world security will be solved. The General Assembly has provided full and sufficient opportunity for India's activities. With a larger number of the members of the UN, more elective seats on the Council will be necessary to provide opportunities to all the new countries to get elected to the Security Council. Some of the old conventions in this respect have outlived their usefulness and the ugly turn in the election this year—resulting in a division of the term between Yugoslavia and the Philippines—is an indication that some new understanding will have to be reached if enough opportunity should be provided for all the areas concerned.

NO ORCHIDS FOR EDEN

SIR ANTHONY EDEN'S mission to the United States has ended with the issuing of a joint declaration by him and President Eisenhower re-affirming Anglo-American unity of purpose and accord on fundamental aims. No one, of course, expected that any serious differences would emerge on the surface; differences of opinion persist on some minor problems which the Washington talks have not succeeded in resolving. Two major world problems must have figured in discussions, among others—the question of relaxing the embargoes on trade with China and the maintenance of peace on the borders of Israel. On the first, Anglo-American views continue to be as divergent as ever. The British Premier's plea that the restrictions should only be similar to those imposed on trade with East European countries has met with no response, though he has gained a tactical victory in that the ban is to be reviewed from time to time. On this matter, as on the bigger question of admitting China to the United Nations, no positive action from the American side can be expected in an election year and, therefore, Sir Anthony probably was never over-optimistic of America falling in line with his proposals.

On Israel, of course, there has been a more positive American stand. The two Powers have agreed to contribute to a settlement by assisting financially in dealing with the Palestine refugee problem and by guaranteeing agreed frontiers. This, of course, does not constitute any new initiative in regard to this problem, but it is a welcome sign that the two Western Powers, along with France, are willing to bear the responsibility for enforcing any agreement. But if the frontiers are to be guaranteed by the stationing of troops, France certainly and Britain in all probability will not be able to spare any troops to undertake the task.

On another problem that is troubling the Middle East—the Baghdad Pact—the US has unequivocally given its support to Britain. Not so on the Buraimi Oasis dispute between Britain and Saudi Arabia, where the oil interests of the two Powers are at variance. Only the hope is expressed that “these differences can be resolved through friendly discussions”. Nor has Sir Anthony succeeded in his attempts to persuade Mr. Eisenhower to warn Saudi Arabia not to use the money got from American oil companies, in Buraimi and in Jordan, to undermine British prestige in the area and to have American aid to countries in the region channelled through the Baghdad Pact Council—which would have, to some extent, helped Britain to bring to heel the errant nations. The outcome at the Washington talks may, considering the political atmosphere which prevailed at home on the eve of Sir Anthony’s voyage, revive criticism of the British Prime Minister’s policies.

GRIM OUTLOOK FOR ALGERIA

IT IS rather creditable that M Guy Mollet’s career as French Prime Minister should have commenced with the pelting of stones and rubbish by French nationals in Algeria, since any policy which pleased them would have been discreditable to France herself. That there would be demonstrations on the occasion of the Socialist Premier’s visit had been evident, but the reception proved to be “hotter” than expected. These outbursts are unlikely to swerve M Mollet from his determination to find a solution of this problem on the basis of agreement with the Algerians; he has announced that his talks with Algerian leaders will take place as programmed. But whether any proposal acceptable to the Algerians and M Mollet can pass the National Assembly is highly doubtful. The parties of the Right can expect some accession of strength in the Assembly when the Algerian elections, which have been postponed, are held, and they are unlikely to forgo this by antagonising the settlers who want Algerian union with France. Nor will the Communists agree to support any of M Mollet’s plan for reform, as that will raise the prestige of the Mollet-Mendes-France coalition.

It has become clear to all parties that the Algerian problem cannot be solved on the basis of continued union with France. But such are the vagaries of the French Parliamentary system that the only group willing to take steps to end this second “Indo-China” cannot act and will not be allowed to act, the settler problem in North Africa being too great by comparison with Indo-China. The French settlers have succeeded in forcing Gen. Catroux, the resident Minister in Algeria, to resign even before he was installed in office, and the outlook looks grim and unpromising.

ROAD TRANSPORT POLICY

WITH OUTLAY on railway development in the second Five-Year Plan restricted to Rs. 1125 crores, the country may have to depend a great deal on the road transport system for movement of goods and passengers in the next five years. One aspect of improving road transport is provision of more and better roads, which is the task of the State, but development of goods transport and, to a large extent, passenger services will still be the responsibility of the private sector. It is well known that the most important factor hindering this development is the burden of taxation on operators, which is the highest in the world. Motor operators have to pay not just a single tax, but a number of taxes, and where there are services extending to more than one State, there is double taxation. Octroi is also often levied by every municipality, adding to the difficulties which operators have to face. The Transport Advisory Council, which recommended as long ago as 1954 that these obstacles should be removed, has again made these recommendations at its recent session.

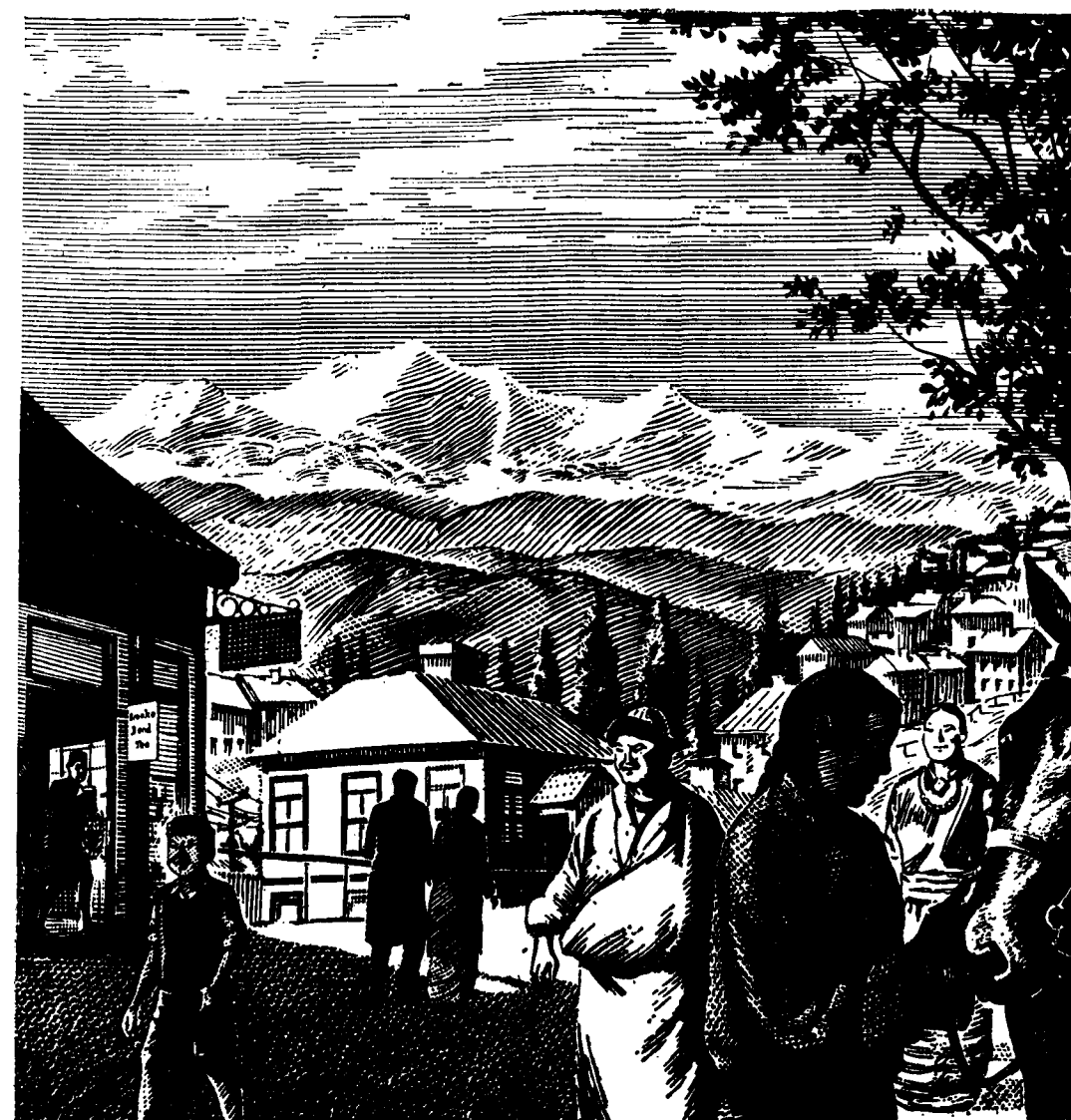
Mr. Lal Bahadur Shastri, the Transport Minister, who addressed the Council, showed that the authorities are not unaware of the problems of the motor transport industry. But action taken so far by the State Governments has not been up to the mark. Permits for passenger services continue to be issued, in many cases, for short periods even where the Government has decided against nationalisation of particular routes for some time to come. Nor has anything been done to bring the level of taxation to a uniform level as recommended by the Motor Vehicles Taxation Enquiry Committee. The Motor Vehicles (Amendment) Bill, introduced in Parliament in the last session, confers powers on the Centre to regulate inter-State traffic, and safeguards are sought to be given to private operators to induce them to expand their services. Also, the Transport Advisory Council has accepted the principle of single-point taxation and has suggested that the transit fee in municipalities, in place of octroi, be limited to one rupee and that too to trucks. It has decided to set up a high power committee to advise on the reorganisation of road transport administrations in the States. This committee should not confine itself to organisational problems, but must also try to secure the reliefs which are urgently needed if road transport services are to develop fast enough to relieve the strain the railways will have to face as the Plan progresses.

PARLIAMENTARY CONTROL OF STATE ENTERPRISES

WITH THE expansion in the public sector contemplated in the second Five-Year Plan, the question of how and how far parliamentary control over State undertakings should be exercised is becoming increasingly important. Mr. Ashok Kumar Chanda, the Auditor-General, who addressed the other day a meeting of Chartered Accountants in Madras, pointed out that the measure of control exercised by Parliament is governed by the form of management adopted in the enterprise concerned. In the case of units which are departmentally run, Parliament’s control is absolute since the annual requirements of the units for all expenditure are presented to the House in the form of demands for grants. In the case of statutory corporations, Parliament’s control is well defined and certain matters are specifically reserved for its consideration. When the company form of management is adopted, control is necessarily more limited. But even in this case the initial share capital has to be voted by the House and the annual reports are placed before it. Besides, the Auditor-General can undertake an audit and inspection of the accounts of Government undertakings and take such further action thereon as he deems fit. Thus public accountability is secured through interpellations, debates on reports and accounts of the undertakings, and the Auditor-General’s report to the Public Accounts Committee. Mr. Chanda assured Chartered Accountants that the expansion of the public sector and nationalisation will not affect the scope of their employment as they will continue to be the normal auditors, the Auditor-General retaining only the right of supervisory audit.

Mr. Chanda, who also addressed Class II officers of the Audit and Accounts Department, spoke of the necessity to separate audit from accounts. This has already been done in three Central Ministries and the results have been encouraging enough to justify further extension. For introducing greater flexibility in the use of “appropriated” moneys and to enable the administration to have a close watch on the progress of plans, this is a very desirable step. It can be confidently expected that the many problems which the implementation of this scheme as those that will arise in public undertakings will be dealt with in the way they should be.

Around India with Brooke Bond



The Five Treasures of the snows...

Kangchenjunga, which in Tibetan means ‘the five treasures of the snows’, is according to a hill legend the abode of the Almighty God. It is not difficult to understand this sentiment. The grandeur and mystery of this tremendous peak, soaring to over 28,000 ft., creates in the observer an overwhelming sense of awe and reverence. Kangchenjunga is the only Himalayan giant that displays its majesty to the world at large. Any visitor to Darjeeling can enjoy from his hotel balcony the glory of this magnificent peak.

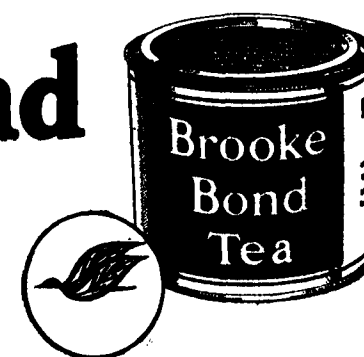
Brooke Bond have thousands of acres of their own tea gardens—more than any other firm of tea distributors in the world. And Brooke Bond is the only tea firm with five blending and packing factories, each serving its own part of the country, from which fresh stocks are rushed to every shop.

Here, as everywhere in India, fresh Brooke Bond Tea is made available through a unique system of fast distribution from factory to shop.

More people buy Brooke Bond Tea than any other brand, and over 55 million cups of Brooke Bond Tea are drunk everyday in India.

Brooke Bond Tea

FRESH and GOOD



FLY TO LONDON BEFORE 29th FEBRUARY

by B.O.A.C. **Coronet**
Tourist Services



Travel like a prince at low
off-season Tourist Fares
and **SAVE Rs. 599**

DELHI - LONDON
Single Rs. 1,414 Return Rs. 2,546

Return journey may be made within
validity (one year) of ticket. Low Off-Season
Tourist fares to other major European
destinations are also available.

B.O.A.C. TAKES GOOD CARE OF YOU

Consult your local Travel Agent or
B.O.A.C. Speedbird House, Service Road,
Connaught Place, New Delhi-1.
Phone: 43978, 44234, 45085 & 47356.

FLY → B.O.A.C

BRITISH OVERSEAS AIRWAYS CORPORATION

A Window on the World

THE ECONOMIC 2ND XI

By
ODYSSEUS

IT CAN BE NO SECRET to those who stroll week by week among the lower slopes, let alone to those who scale the pinnacles and peaks, of this column that while I am in the fullest and most cordial agreement with the ideals of social justice which inspire Socialism, I hold that all the evidence of experience points to the inescapable conclusion that Socialism is a less efficient way of attaining social justice than Free Enterprise as modified by liberal legislation (factory acts, health services, anti-trust laws, etc.) in a democratic state (by which I don't mean a "People's Democracy" which is only Soviet double-speak for a dictatorship). It is perhaps even less of a secret that the intellectual distinction of those who share my distrust of Socialism is equalled only by their diminishing numbers. For the time being the climate of opinion is set towards a Socialist Pattern of Society. Don't forget, however, that the climate of opinion in all countries is as changeable as the meteorological climate of the British Isles (in which it is wise to set out with an umbrella on the sunniest days).

If, then, our ruling elders and betters are determined to impose Socialism on us, let us at least insist that it is a streamlined, up-to-date Socialism, stripped of nineteenth century ideological hangovers, and reconditioned by contact with contemporary economic thought. Or, to vary the metaphor, if we are determined to handicap ourselves by playing all our matches with our 2nd XI, let us at least devote thought and time to raise the quality of the team's bowling, fielding, and batting, by coaching it in the techniques which enable the 1st XI consistently to achieve high scores in those countries, such as Belgium, the USA, and Germany, which believe in putting the best team into the field that they can find.

I, therefore, offer no apology for spending another week in outlining the latest developments of Socialist thought so magisterially set forth by Mr. Hugh Gaitskell, the new leader of the British Labour Party, in the latest issue of "Socialist International Information" (8 Motcombe St., London, SW. 1.). If the Socialist parties of the democratic world would put Mr. Gaitskell's principles into practice, the world's 2nd Economic XI's will still not achieve anything like the high scores of the Free Enterprise 1st XI's but they will substantially raise their present batting averages and avoid some of the more sensational innings defeats that they have periodically suffered.

The basic doctrine of pre-World War II Socialism was the nationalisation of the means of production and distribution. Under Mr. Gaitskell's leadership, it seems certain, judging both by what he says in "Socialist International Information" and by what he recently said to me in a personal chat, that the emphasis will not be on nationalisation but on re-doubled striving towards a society in which great inequalities of income will have been ironed out, chiefly through the re-distribution of income by taxation.

WHY NOT RAISE PRODUCTIVITY?

This objective is unimpeachable, but the 1st XI achieve it by increasing productivity and levelling all

incomes upwards, not, as all 2nd XI's insist, by "soaking the rich"—i.e. by levelling incomes downwards and recoiling from the necessity of raising the productivity of the workers as too suggestive of "capitalist exploitation" and therefore politically dangerous.

Twenty years' experience has changed the views of the British Trade Unions towards nationalisation. In the 1930's, they held that they should take an active part in the organisation of a nationalised industry. Today, most desire to be independent of the management so that they can remain free to protect the interests of the workers—a fundamental difference from the practice in the Union of Soviet Socialist (sic!) Republics where the Trades Unions are part of the machinery of government and the idea that the workers could have any interests other than those of the management is dismissed with a far from indulgent smile.

Under Mr. Gaitskell, the trend of British Socialism is likely to be towards public control, not of the individual industry but of the national economic structure in which it works.

The Socialist point of departure is Keynes' conception that the general level of demand determines employment, and that this level can be easily influenced by the budgetary and credit policies of the government. Closely associated is the idea that since the poorer people save less and more slowly than the richer, a re-distribution of income through taxation at the expense of the richer stimulates demand and, therefore, employment (and, I would interpolate, has been among the more important factors that have stimulated an inflation in Britain which may yet threaten the basis of the Welfare state because it is more difficult to counter in any society of Socialist pattern).

These views lead naturally to an economy controlled by government planning.

Most Socialists argue that the experience of World War II, in which every major economic activity in Britain was controlled and planned by the government, proved irrefutably that planning works. It is characteristic of Mr. Gaitskell's political realism and intellectual honesty that he points out that once the war was over, there could not, in a democracy, in which changes of policy can be pushed through only with the approval of the voters, be any question that the Labour government would continue the whole apparatus of war-time controls. "This would have been impossible," says Mr. Gaitskell, "because it depended for its successful operation, among other things, on a large volume of direct government orders and on the goodwill and readiness to co-operate of the business community—neither of which were likely to continue in peacetime".

MR. GAITSKELL'S FUTURE PROGRAMME

What, then, is Mr. Gaitskell likely to do about economic controls when he returns—as return he must one day—to office in Britain?

First, he characteristically stresses that he has no wish to be "too dogmatic" and that there is "no point in controls for their own sake" (an idea which does

not seem to have penetrated the hinterland of certain secretariats).

Secondly, however, Mr. Gaitskell believes that it is difficult to maintain without inflation the degree of full employment enjoyed in post-war Britain unless controls are used, especially over imports, prices, foreign exchange, and industrial building. A moment's reflection suggests that this apparently modest list could, at the drop of a single Gazette notification, be made exhaustive, e.g., "prices" might include any or every thing.

Thirdly, Mr. Gaitskell would retain controls to cope with any difficulties arising out of Britain's foreign trade balance and the relations of sterling to the dollar.

Fourthly, he would use controls, especially over consumption, to modify the distribution of real income in favour of the poor. If only (one cannot reiterate the point too often) the 2nd XI would aim at doing this by making us all richer instead of rewarding, by making them poorer, the leaders of the middle classes for their energy and enterprise without which we should none of us have any money at all and the whole economic machine would grind to a halt! Already we are on the verge of the point at which the "re-distribution of income in favour of the poor" means in favour of everyone, because we are all poor, and poorer than we need be at that!

The most succinct comment that I have seen on these four points appeared in "The Economist" of December 31, 1955:

"The old sort of controlled economy would have been a grave misfortune in 1955. If Bank rate had still been inoperative, as it was before 1951, then the rise in commodity prices during the past year would

have been much greater and the terms of trade would have turned sharply against Britain. If Britain had entered 1955 with its raw materials still subject to import controls, and subject to the distortions of stock holding habits that went with them, then the dock and railway strikes of the early summer would have brought the economy rapidly to its knees; certainly the strikes would have had a far more serious effect on British living standards than that much milder previous interruption to supplies, the cold snap of 1947. And if there had still been an apparatus of price controls in being this year (with all the encouragement that they give to consumption), as well as a tradition of resorting to import licensing at times of external deficit (with all the incentive which that gives to traders to hurry forward their purchases at the first sign of trouble), then there is every reason to suppose that the near crisis of 1955 would have gone at least as far as the full crises of 1947, 1949, and 1951."

Basically, however, Mr. Gaitskell lays it down that "the Party attitude in the main is that free choice" (of consumers presumably) "must be continued and unfairness corrected rather through re-distribution of income and wealth than through direct controls."

Well, if all the 2nd XI's of the Socialist pattern countries stick to Mr. Gaitskell's ideas, the rate of economic scoring will rise a little nearer to that being achieved by the Free Enterprise 1st XI's who continue to score at a high rate all round the wicket. If you don't believe me, just check up the rate at which real wages have risen in the USA, Germany, and Belgium, since the war and compare it with the Welfare countries. You'll be surprised.

[This is the fourth of a series of five articles on "The Future of Socialism". Previous articles appeared on January 20, and 27, and February 3.—Ed.]

Economic Report from the U. S.

"PEOPLE'S CAPITALISM"

(By Guy Sims Fitch)

WASHINGTON, Feb. 7.—New American achievements in production and consumption, employment and income, are taken almost for granted these days. But they have prompted students of the American scene to seek a term that can properly describe the unique and fruitful system that has made these gains possible.

Not that a label is important in itself. But it is growing increasingly clear that unadorned use of such a traditional and emotion-charged tag as "capitalism" has become inadequate to the point of confusion.

The American economy is capitalistic, of course, to the extent that it draws its vitality from private initiative and enterprise. The profit motive and the desire to improve one's position are still the mainspring of business and individual activity. But unlike the restricted rewards characteristic of the outmoded 19th century model, the new system's benefits are shared by all. The opportunities it affords for personal advancement are without parallel in human history. With this in mind, a number of business men and economists—notably members of the Advertising Council and its President, Theodore Repplier, have suggested as an appropriate label the term "people's capitalism"—a label that has found favour among members of the Eisenhower Administration. The influential "Collier's" magazine recently analysed the term, and concluded editorially that it has "besides a bold ring, the great virtue of truth."

Presumably, the proponents of the term "People's Capitalism" have arrived at such a description because the people themselves own the resources of production; they are the capitalists and share in the benefit of their free economy. Some 115 million Americans—70 per cent of the population—have life insurance policies, valued at nearly \$400,000 million. Some million own stock in corporate enterprises. More than 45 million have bought Government bonds, nearly 21 million have deposited more than \$28,000 million in mutual savings banks. The net liquid assets of all Americans come to \$254,000 million.

The productivity increases resulting from these improved manufacturing and marketing methods are passed on to the employees in the form of higher wages and shorter working hours. The steel worker, for instance, has become a man of some means, earning more than \$5,000 a year—twice as much as 20 years ago. And his basic work week of 40 hours, compared with 60 at the turn of the century, may well be shortened to 35 in the not-too-distant future. He, and 65 million other US workers, are now able to purchase ever-increasing quantities of goods and services—the necessities and conveniences that enrich personal and community life.

This means more than automobiles, refrigerators and radios. It means that nearly 60 per cent of all American families now own their own homes. And it means that Americans have been able to spend an increasing share of their incomes on wholesome recreation during their greater leisure time. Last year alone, they spent \$32,000 million on such leisure pursuits as vacations, hobbies, etc.

Despite these huge purchases of goods and services, Americans had \$16,000 million left to save or invest as they saw fit. In this way, they can increase their stake in society and contribute to their own and their children's security.

The thousands of contracts between the nation's free labour unions and business managers—negotiated

through collective bargaining process—help to keep wage raises high and are important sources of economic stability and protection. In addition, private pension and profit-sharing plans have grown five-fold in the past ten years; more than 12 million workers and their families are covered by them.

The Government, too, has an important role in protecting American living standards. More than 70 million Americans are covered by the US Social Security Programme. About 40 million workers can, if need be, draw unemployment compensation.

Beyond that, the Government—through the Employment Act of 1946—has accepted responsibility for maintaining conditions in which private activity can flourish and in which maximum employment, production and purchasing power can be maintained. To this end, it uses its broad monetary and fiscal power to moderate economic fluctuations that threaten American living standards.

Finding a single phrase to describe this complex and unique instrument of human welfare and progress is a task to baffle not only the economists, but the most adept semanticist. There are those who would call it "consumerism," and others who prefer "mutual capitalism." But "people's capitalism" probably comes as close as any in its descriptive application.

9 NON-STOP FLIGHTS EACH WEEK to KARACHI



from DELHI and BOMBAY

Four weekly flights from Delhi; five from Bombay. Superlative service aboard to make your journey most enjoyable.

Excellent bar service. Courteous cabin attendants. No extra fare. Enjoy your next trip to Karachi... fly with P.I.A.—for new standards in air travel.

See your Travel Agent or Pakistan International Airlines



BOMBAY
Airlines Hotel, Churchgate
Phone: 37151 Ext. 4

DELHI
Metro Hotel
Phone: 42645

CALCUTTA
36 Chowringhee
Phone: City 5231-5232

PAKISTAN INTERNATIONAL AIRLINES

India's
Tea-
India's
Wealth



HOME CONSUMPTION:

The people of India consume about 100 million pounds of tea yearly, or at the rate of 1/2 lb. per head per annum.



No other drink refreshes you so much, yet costs so little as **TEA**

WHEN BUYING INSIST ON FAMOUS CENTURY FABRICS

Specialities

"PARAMSUKH" DHOTIES :	COTTON WASTE BLANKETS
"LAKES BEAUTY" MULLS :	UMBRELLA & TAFETTA CLOTH
DYED & BLEACHED MOTI VOIL :	DYED VENETIANS
STRIPPED POPLINS :	GREY SHEETINGS
LONG CLOTH :	DYED & BLEACHED TOWELS
GREY & BLEACHED SAREES :	CHECK SHIRTINGS

MULTI COLOURED PRINTED CHINTS, MULLS, CREPES ETC.
IN ORIGINAL DESIGNS

The Century Spg. & Mfg. Co., Ltd.,

INDUSTRY HOUSE, 159, CHURCHGATE RECLAMATION
BOMBAY

Managing Agents:

BIRLA BROS. LTD.

WORLDGRAM

AGRICULTURE

Few Crops More Liable to Pest Attack Than Cane: Few crops were more liable to attack by pests than sugarcane, on which no less than 1,398 species of insects and mites had been recorded as feeding, according to Dr. K. B. Lal, Plant Protection Adviser to the Government of India. While the number of serious pests was undoubtedly much less, even this might run into a few dozens. Pests, particularly insects, constituted a major problem in the cultivation of the cane crop, and, in most cases, the yield at harvest and the quality of the cane juice depended largely on the degree of control of pests achieved. The last decade has seen the gradual replacement of the older methods of mechanical and cultural control by newer methods based on the use of chemical insecticides. This has been helped by the evolution of various organic insecticides, specially those of the chlorinated hydrocarbon group and by the development of various types of machines for the dispersal of insecticides on the crop.

Control of Safflower Pests: Experiments conducted for five years have shown that the Aphis and the leaf-eating caterpillar, two serious pests of safflower, can be controlled. Out of the large number of insecticides tried, nicotine sulphate and pyrocolloid sprays were the most effective and economical to use. Nicotine sulphate should be used in the proportion of one part to eight parts of water. If pyrocolloid, the proportion is one part to a thousand parts of water. In Bombay State, farmers are making use of this control measure against these pests with good results. Wherever the measure has been used, safflower yields have gone up.

Preparation of Orange Juice Powders: A new method for the preparation of orange juice powder has been standardised at the Central Food Technological Research Institute, Mysore. The juice powders can now be fortified with vitamin C and can be used for the preparation of sweetened orange juice. The powders prepared under the new method compare favourably with similar imported products. The Institute studied the changes that take place in vitamin C contents during processing of juice. The studies were conducted with three varieties of Indian oranges, namely, Coorg, Nagpur and Sathgudi. It was also revealed that Sathgudi orange juice concentrate has a much higher vitamin C content than Coorg or Nagpur varieties.

INDUSTRY

Indian Firm to Build British Engines: Automobile Products of India (API) has made an agreement with the firm of Henry Meadows—a subsidiary of Associated British Engineering, Ltd.—for the manufacture of British engines under licence in India. The agreement is the culmination of negotiations begun about 12 months ago, and provides that API will sell, service and ultimately manufacture the whole range of Henry Meadows products in every type of application—automotive and marine engines, generating sets and compressors. A three-year period is envisaged before Indian production of the Henry Meadows range of engines is fully under way. Thus, the agreement provides that in the initial stages complete engines will be imported from Britain; and the first batch, worth about £1,000,000, has already been shipped. Progressively, over the next three years, these will be followed by "knocked-down" engines of increasing range to the point where all Meadows engines will be fully manufactured in India under the control of Indian nationals.

New Titanium Plant Unique in Europe: Europe's first full-scale plant for processing titanium with the

use of metal rectifiers of special design will soon be put into continuous operation at a Sheffield factory. The power plant is rated to work continuously, and the total rectifier capacity is 18,000 amperes at 40 volts. The system, it is claimed, combines high efficiency with a wide range of output characteristics. The control panel is arranged so that each furnace operator has all his controls immediately around him. He is not distracted in his work by any other operator; nor does his use of power interfere with their work.

"Miniature Sun" for Film Studio: A British firm has recently spent £10,000 on making a single electric lamp. It is a 20 kw. tungsten-filament lamp designed for a British film studio, which will use it in the production of colour films. The high cost of this "miniature sun" was largely accounted for by the research and development that went into evolving it. Its borosilicate bulb, 16 inches in diameter, weighs 10 lbs., and is of uniform thickness to minimise fracture strain. There is enough tungsten in the filament to make 20,000 40W lamps. The firm has plants for the manufacture of lamps of 75W power.

The European Chemical Industry: Chemical production in O.E.E.C. countries increased by 15 per cent in 1954 and a similar rate of expansion is likely throughout 1955. This is the main conclusion reached in a report of the Chemical Product Committee of OEEC, "The Chemical Industry in Europe, 1955", which has just been published by the Organisation for European Economic Co-operation. The report gives a survey of the situation in the chemical industry in 1954 and early in 1955 in Europe, with some reference to the United States.

Sweden's Output of Paper in 1955: A new peak was registered for Sweden's paper and board output in 1955, according to Mr. Ewert Landberg, head of the Association of Swedish Paper Mills. The total production is estimated at nearly 1,500,000 tons, as compared with 1,390,000 tons in 1954. Out of the aggregate deliveries of some 1,450,000 tons, 620,000 tons were consumed on the home market, as compared with 590,000 tons in 1954.

Yugoslav Industrial Production in 1955: A total of 2,060.5 billion dinars or an average of 257.5 billion dinars annually were expended on investment construction in Yugoslavia from 1947 to 1954. Consequently, an appreciable increase of industrial output is reported to have been registered last year. Although definite data are not yet available, experts estimate this increase at about 16 per cent as compared to last year. The sharpest production increase was noted in the chemical industry 31 per cent, ferrous metallurgy 29 per cent, electric power production 24 per cent, petroleum extraction 18 per cent and paper industry 20 per cent.

TRADE

Export of Chrome Ore: The Government of India has reviewed the policy for export of chrome ore. It has been decided to regulate export of this ore during the year 1956 on a quota basis, through shippers who had exported the ore during any of the three calendar years 1953, 1954 and 1955. Shippers are advised to establish by February 15, 1956, their best year's export with the export trade control authorities at the port through which exports were made.

Ban on Export of Wheat Products: The Government of India has reviewed the policy regarding the export of wheat products (atta, maida, sooji and rawa)

and in view of the rising trend of wheat prices, it has been decided to ban export of these wheat products outside India with immediate effect.

*

No Change in Tea Export Duty: The Government of India has issued a notification fixing the price of tea, for the purpose of determining the export duty at Rs. 2-14-1 per lb as against Rs. 3-1-5 per lb in force from January 1, 1956. There is no change in the existing rate of duty of annas six per lb.

*

Trade Payments to Japan: With the aim of placing trade on a freer basis, the Japanese Government is reported to be inclining more strongly towards switching present open account trade arrangements it has with many countries to that of a cash settlement basis. Such a changeover already has been concluded with West Germany and Italy, and negotiations are now under way with Thailand and Sweden to effect a similar revision. Latest news along this line is that the Government is studying a plan to repeal the open account set-up with Taiwan, Indonesia, the Philippines, the Netherlands and Finland.

*

Belgian Diamond Imports in 1955: Belgian imports of uncut diamonds last year totalled 3,731,697 carats worth £24,753,157, compared with 2,561,011 carats worth £18,855,847 in 1954. Exports of cut diamonds totalled 830,042 carats worth £28,903,775 against 666,107 carats worth £22,898,663 in 1954.

FINANCE

Procedure for Transfer of P.O. Savings Bank Con-joint Accounts: The Governments of India and Pakistan have agreed on the procedure for the transfer from Pakistan to India and vice versa of the Post Office Savings Bank Conjoint Accounts opened in either country under Rule 44 of the Savings Bank Rules before partition. Where all the beneficiaries of an account have migrated from one country to the other, the entire account would be transferred. Where, however, some beneficiaries are in one country and some in the other, the accounts would be split up accordingly. Claims for the transfer of these accounts from Pakistan to India may be registered at any post office in India doing Savings Bank work. The last date for registering such claims is February 29, 1956.

*

Central Aid for Development of Silk Industry: Grants amounting to over Rs. 6,34,000 have been sanctioned by the Government of India to nine States for the development of silk industry. Four grants totalling Rs. 3,18,660 have been given to Jammu and Kashmir. Mysore gets two grants of Rs. 50,000 and Rs. 11,100 respectively. Bihar gets Rs. 67,100. Assam has been given Rs. 29,150 for installing a drying chamber at Sualkuchi. For establishing a training-cum-production centre, the State gets Rs. 14,700. West Bengal has been given Rs. 19,554 for setting up a training-cum-production centre in silk reeling. Punjab has been sanctioned a grant of Rs. 35,040 for setting up chawki worm rearing centres and Rs. 784 for the scheme to continue chawki rearing. A sum of Rs. 17,025 has been given to Madras for the establishment of a collective chawki rearing centre at Hosur. Hyderabad gets Rs. 11,600 for implementing a scheme to revive the tassar silk industry in Manthani.

*

Finance for Road Development Schemes: Amounts totalling about Rs. 13.57 lakhs have been sanctioned by the Government of India for road development work in Manipur, Andhra, Saurashtra and Kutch. Schemes sanctioned are: a bridge across the Imphal river at Mayang-Imphal in Manipur State costing Rs. 2.79 lakhs; construction of an 18-mile road from Chinturu to Kuna-

varam in East Godavari district, Andhra State, at a cost of Rs. 2.53 lakhs; construction of Ranavav-Bhanvad section of Jamnagar-Porbandar road costing Rs. 6,57,600 and Rs. 67,300 for a bridge on the Manjal-Lakhpat road in Kutch.

*

U.S. Bank Loan to Brazil: The U.S. Export-Import Bank loaned \$19,625,000 to the Brazilian Government's Santos-Jundiai Railway to help it buy equipment in the United States. In addition, American manufacturers will extend \$5,375,000 worth of credit to the railroad. The credit becomes due annually over the 10 years starting in June 1958.

GENERAL

Relief to Educated Unemployed: As a first step towards tackling the problem of the educated unemployed in the country, the Planning Commission has approved the starting of Pilot Projects in the field of small-scale industries. About 10,000 educated unemployed are expected to be benefited by these schemes in the first year of the second Five-Year Plan. The decision to start Pilot Projects was reached by the Planning Commission after considering its Study Group's Report on Educated Unemployed. Establishment of small-scale industries and service industries on modern lines has been recommended by the Study Group as an urgent measure of rendering relief to the educated unemployed. The Group also recommends the setting up of co-operative organisation of production, transport and marketing of production of small-scale industries which would give employment to large number of educated persons. These and other schemes for the educated unemployed are estimated to cost Rs. 130 crores over the next Plan period, and the additional employment is expected to be of the order of 2.35 lakh jobs.

*

International Trade Fair in Washington: Stepped-up preparations for the first Washington State International Trade Fair are under way as 25 exhibitors from eight Asian countries had made reservations for the May 4-13 exhibition. Mr. Donald M. Yates, Trade Fair President has announced that reservations have been made by merchants in Hong Kong, India, Indonesia, Japan, Korea, Pakistan, the Philippines and Thailand. They include manufacturers of textiles, jewellery, furniture, brassware, ivoryware, ceramics, and woodcraft. The Trade Fair will be the only such exhibition in North America this year. Built and fostered by business and civil leaders throughout the State of Washington, the Trade Fair is designed further to develop two-way trade between the United States and Pacific Rim countries. A select list of buyers and importers of high quality oriental goods is being invited to attend the fair and take advantage of its market-place facilities.

*

Engineering Personnel for Second Plan: Suggestions for opening new institutions and increasing the capacity of the existing ones for training engineers and technical personnel required during the second Plan period have been made by the Engineering Personnel Committee, set up in September 1955, in its interim report to the Planning Commission. These recommendations have been made after studying the engineering requirements of the Central Ministries and State Governments. The Committee has phased these demands over the period of the Plan taking into account the special claims of the iron and steel plants, railways, and others. The Committee has suggested that with a view to implementing these recommendations effectively a high-power body for taking policy decisions and a supporting executive organisation should be set up both at the Centre and the State levels. The Committee's recommendations also relate to questions like improving the quality of engineering education, unemployment among engineers and conditions of temporary personnel.

NEWS IN BRIEF

INDIAN

India, with an annual production of 60,000 tons of cashewnuts, has a monopoly of cashew trade in the world. Ninety per cent of the trade is in Indian hands. The principal buyers are the United States and the United Kingdom who import 75 per cent of the Indian produce.

*

The value of capital assets of the Posts and Telegraphs Department rose to Rs. 50 crores at the beginning of the first Five-Year Plan from Rs. 33 crores after partition. It is expected to increase to Rs. 92 crores by the end of the Plan period.

*

The Rs. 16-crore rail-cum-road Ganga bridge in Bihar, will be the largest of its kind in the world. Soil conservation work is to be undertaken in 4 million acres of land under the second Five-Year Plan. Nearly 7 million acres are expected to be surveyed in this connection.

*

The Government of India has set up a 10-member Committee to review the existing capacity for the manufacture of machine tools and assess the country's requirements.

*

India has at present 5,000 Telegraph Offices as against 3,324 at the time of Independence. Besides, 4,000 Telegraph Offices have been set up for the railways and at various irrigation project areas.

*

The percentage of children of school-going age, who actually attend schools, has now gone up to about 50 per cent. Between 1947 and 1951 the percentage went up from 30 to 40.

*

The consumption of ammonium sulphate in India increased from 2.7 lakh tons in 1950 to about 6 lakh tons in 1955, which is very near the first Plan target.

*

With a view to promoting and protecting the common interests of indigenous tea planters and fostering the trade, commerce and industry connected with tea, an all-India Association called the Tea Association of India was formed on January 27, 1956.

*

According to the Indian Sugar Mills Association, the sugar production in India during the month of December, 1955, was 2,80,046 tons, bringing the total production during the first two months of the current sugar season to 3,59,162 tons against 3,31,402 tons during the corresponding period last season.

*

A conference of Registrars of Companies and officers of Regional Directorates of the Department of Company Law Administration, was held at New Delhi from February 7 to 9, to discuss various matters relating to the duties and functions of Registrars, with special reference to the new Companies' Act which is to come into force from April 1, 1956.

*

The second Conference of the Indian National Commission for Co-operation with UNESCO met on February 6 and 7. The Union Minister for Education, Maulana Abul Kalam Azad, presided.

*

A party of Indian officials are proceeding on a tour of foreign countries to study the working of community development programmes there. The officials, who left India on February 5, will visit Norway, Sweden, Denmark, Holland and the United Kingdom, spending about a week in each country.

FOREIGN

The International Bank for Reconstruction and Development (World Bank) has reported a net income of \$13.7 million for the six-month period ending December 31, 1955, compared with \$12.3 million for the corresponding period in 1954.

*

Medical experts from Asian countries will shortly be visiting the Americas under a world-wide programme to keep in check the dread disease of the jungles of Africa and South America, yellow fever, which has defied repeated efforts to eradicate it.

*

A twelve-year afforestation plan, under which the Ministry of Forestry of People's China will plant 105 million hectares of forest on waste hills, waste land and desert regions throughout the country, has been adopted at a national conference in Peking.

*

The directors of the North Sumatra University Foundation have decided to establish a College for Agriculture in Medan. The plans and preparations to open the college are almost complete.

*

Indonesia is to embark on its Five-Year National Construction Plan this year, according to Mr. Djuanda, Head of the State Planning Bureau.

*

More than 6,000 titles are listed in Volume II of the International Bibliography of Economics, recently published by the UNESCO in its Documentation in the Social Sciences series. This volume, the first of its kind in the field of economics, covers works published in 1953.

*

A statement released by Soviet News Agency Tass, says that overall production of the Soviet Union's entire industry increased in 1955 by 12 per cent as compared with 1954.

*

Brazil has laid down new regulations, effective March 26, governing the entry of citizens of countries in America—including Canada—who wish to make tourist visits to Brazil. Nationals of these countries will now be exempt from the need for personal attendance at Brazilian Consulates.

*

An international industrial conference sponsored by the European Productivity Agency of the OEEC and the Italian National Productivity Centre, started in Rome on February 4. The Conference met in order to discuss the experiences on human relations in industry.

*

The Indonesian Parliament has again postponed a decision on the International Tin Agreement.

*

The U.K. Home Secretary, Mr. Lloyd George, has appealed for a "united crusade" to defeat inflation in Britain. According to him, two things were necessary to restore financial balance—to spend less at home and to sell more abroad.

*

Japan may start selling from August this year sugar made from wood. According to a newspaper report, the Noguchi Laboratory has succeeded in producing crystalline grape sugar from wood. A test wood-sugar factory is built in Minamata city to begin the production of crystalline grape sugar from April.

*

Japan is reported to have invested a new synthetic textile made from castor oil, coal and petroleum elements. It is said to be easier to dye, lighter than nylon and heat resistant up to 230°.

Special Articles

FROM WEALTH TO CAPITAL COEFFICIENTS—III

By

COLIN CLARK

[This is the third of a series of four exclusive articles on Capital Coefficients written for "The Eastern Economist" by Mr. Colin Clark, Director, Agricultural Research Institute, Oxford University. Previous articles appeared in the issues dated January 20 and 27, 1956—Ed.]

EXCESSIVE estimates of national capital which have been made in many countries in the past have often included land, minerals, household furniture and other items which they should have excluded. Other statistical defects (this applies even to the work of Lord Stamp) have been to use methods of capitalising income which, in effect, build up a total of money claims, which is not always the same thing as real capital.

Particularly in the poorer and less developed countries the value of land has tended to be very high in proportion to the value of all other forms of capital, and it is often there that excessive ideas of capital requirements are circulated, with very discouraging consequences.

After thus carefully preparing the ground, we can now examine some of the actual information available for other countries. For the United States, a careful study recently completed by Mr. R. W. Goldsmith shows that the capital coefficient (ratio of the stock of capital, depreciated, valued at current replacement costs, to current net national product) has never been more than $3\frac{1}{3}$, the figure which it reached in the 1890's, and has now fallen to about $2\frac{1}{2}$. For Britain, the figure rose to 4 in the 1880's, then also showed a gradual decline, reaching, like the American figure, a value of slightly over $2\frac{1}{2}$ at the present day. For Russia, the figure appears to be only a little over 2, the difference from the American or British figures being almost entirely accounted for by the much lower Russian investment in housing. Unfortunately, there are very few other countries for which we have anything like accurate, up-to-date figures. For the Netherlands, in 1939, we also have a figure of about 3.3. Norway, a country which has invested heavily in merchant shipping and other capital-demanding industries, showed a 1939 figure of about $4\frac{1}{2}$, and Japan, apparently, higher still. The figure for Canada stood at $3\frac{1}{2}$ in 1929, and has probably been reduced subsequently. The Australian figure stood very high—scarcity of population requires fairly heavy capital investment per head, in the form of means of transport, etc.—reaching a level of about 4.4 in 1940, but has subsequently fallen heavily as the population has grown. The only under-developed country for which we have anything like a good estimate of capital stock is that prepared by Mr. Charles Issawi for Egypt, which shows, for 1939, a capital coefficient of 3.2.

Information for Britain is obtained from a comprehensive and important paper by Mr. Philip Redfern submitted to the Royal Statistical Society in January 1955. But we have some quite independent evidence of a stationary or downward trend in the capital coefficient in British industry. In 1951, for instance, the Federation of British Industries made a detailed examination of the accounts of ninety leading companies, with total assets of a thousand million pounds, and found that, valuing throughout at post-war prices, the actual physical capital assets (apart from financial assets) of the companies in 1949 were slightly less than they had been in 1938, while output had considerably increased. Increases in real capital since 1949 have

also probably only about kept pace with increasing output. Mr. George Wansborough, a prominent figure in the motor trade, has stated* that the increase in the real capital of the British motor industry during the last five years has been rather less than proportionate to the increase in the physical value of output.

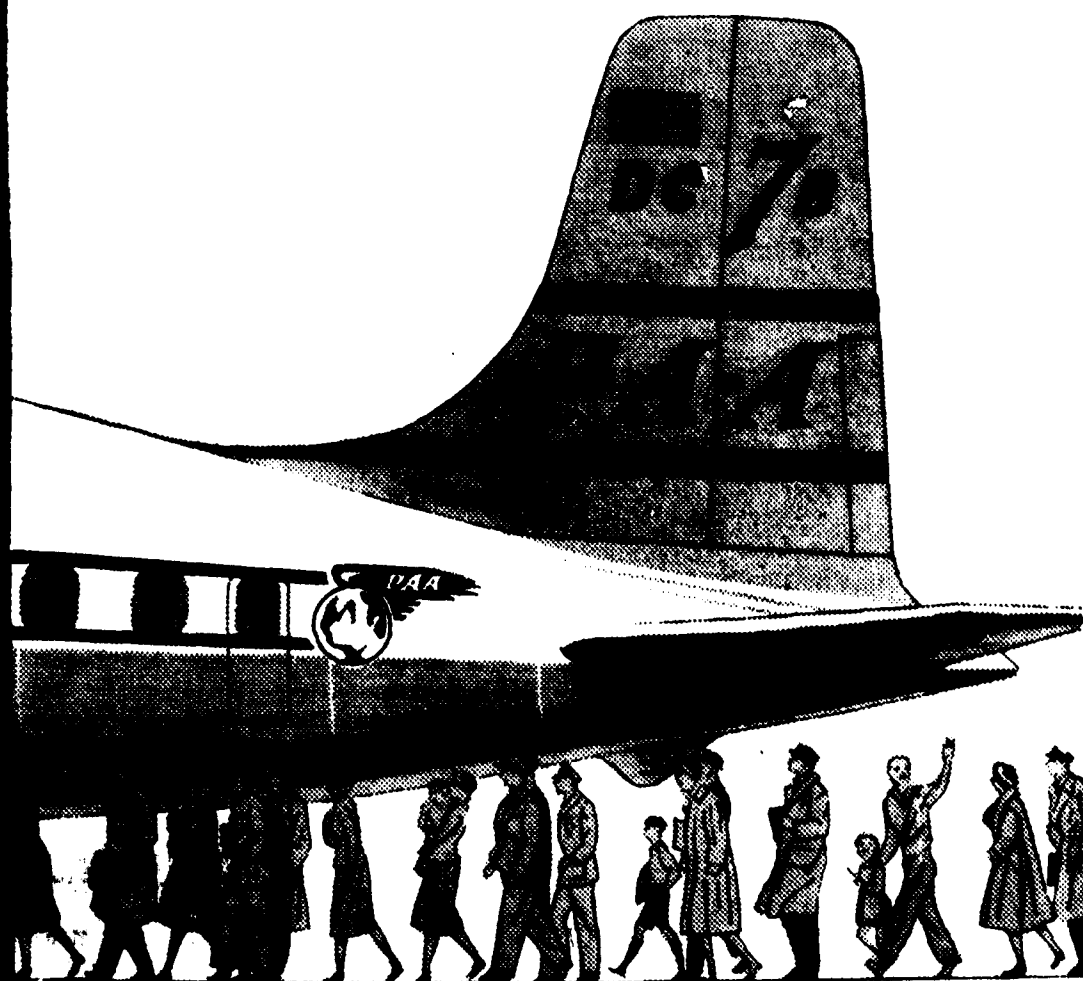
Information under conditions more comparable though not of course fully comparable) with those of India can be obtained from Latin America. The whole world is indebted to the Economic Commission for Latin America for the publication of "Preliminary Study of the Technique of Programming Economic Development" prepared by Dr. Raul Prebisch. An exile in Chile, Dr. Prebisch was invited to return to his native Argentine on the fall of the Peron regime, and quickly prepared a report on the economic state of the country which startled the world by its thoroughness and frankness. Dr. Prebisch considered that the capital coefficient for Latin America was as low as 2.2. For Brazil he put it at 2.5, but for Chile as low as 1.9. These calculations may have been based on the rather high rates of growth of real product which occurred in the immediate post-war years. The most recent publications of the Economic Commission for Latin America have shown a serious slowing down in the rate of growth of real product (in the other republics besides the Argentine, where conditions are admittedly bad).

The presumption—we certainly have not yet got sufficient evidence to call it a conclusion—is that in each country the capital coefficient passes through an ascending phase, reaches a maximum, and begins to descend. There must be an ascending phase—after all, an economy of handicraftsmen and pack horses uses comparatively little capital. It is the existence of the descending phase which is the novel concept—the idea that, while capital requirements per worker continue to increase, capital requirements per unit of product may begin to fall. Strange though this idea may be, there is no doubt about the facts, at any rate so far as the USA is concerned. A very careful study of Mr. Daniel Creamer, published by the National Bureau of Economic Research in 1954, analysing separately all the different American manufacturing industries, showed that in every case, sometime around about 1920, the capital-output ratio began to fall, alike for fixed capital (buildings and equipment) and working capital (stock in trade).

Economists have long been used to the idea of people inventing machinery which was labour-saving but capital-demanding in its place. The idea of capital-saving inventions is a comparatively new one; but they undoubtedly do occur. Any good industrial engineer will tell you that, if ever he is given a chance of redesigning an old plant, he will take the opportunity of getting a great deal more output for the same capital outlay. The mere speeding up of ships and trains means that a great deal less capital is required per ton-mile of transport performed. And the speeding up

* Lloyds Banks Review, October 1955.

More than
50,000
TRANS-ATLANTIC CROSSINGS
a record made only by
Pan American World Airways
World's Most Experienced Airline



Another Pan American milestone
in overocean experience.

PAA

WORLD'S MOST EXPERIENCED AIRLINE

PAN AMERICAN

of transport and communications means that it is now possible for both the trader and the manufacturer to carry considerably smaller stocks of goods, relative to turnover, than their predecessors did—this is one of the results which stands out remarkably from the American study.

To return to the ascending phase, the turning point and the descending phase of the capital-output ratio. The best interpretation which we can give so far is that in the first stages of industrialisation investment is made in sort of industries (e.g. textiles) in which capital requirements per unit of output are comparatively low. As industry advances, more capital-demanding projects have to be entertained, in transport and in public utilities as well as in manufacture. The capital coefficient is rising, and the marginal capital coefficient is higher than the average, i.e., each succeeding advance in output costs rather more, in capital, than its predecessor. The turning point is reached, partly through the opportunity of introducing capital-saving inventions, of the type described above; partly because increasing population and product enable the burden of transport services and other expensive national overheads to be spread more widely; and partly because, in the stage reached by the American economy, for instance, further increments to the national product now largely consist of services rather than goods, most of which services (except transport and communication) require comparatively little capital per unit of product.

India's capital coefficient is not known; and it may take a good deal of research effort before the figure

can even be approximated. But it is only prudent to surmise that, while it may now be low, it is probably rising. It is almost bound to be in the ascending phase; which means that the marginal capital coefficient may be very considerably higher than the average.

The factors which, in other countries, may have caused the ascending phase to be replaced by the descending phase are well worth examining more closely to see whether or not they might apply to India. In countries like the United States, the capital coefficient falls because increments to the national product now consist largely of services rather than goods; in India, however, the opposite will be true, for a long time to come. In countries like Australia, it falls when the lightly-loaded transport system is able to spread its overheads better with increasing population and production. The Indian system of transport and public utilities, so far as can be judged from outside, is already heavily loaded, and no relief on this score, therefore, appears possible. The remaining factor, however, may prove beneficial. It will have been of some benefit to India to have started her industrialisation late, because she will be able to profit a great deal by the experience of others; and many of the capital-saving inventions now being developed elsewhere will, in due course, probably be found fully applicable in India.

To sum up, therefore, while India's capital coefficient is probably still in the ascending phase, it may not have to ascend so long or so steeply as did those of other countries.

INDIA'S ADMINISTRATIVE PROBLEM

By

SARDAR K. M. PANIKKAR

THE administrative problem of independent India differs basically in three respects from the problems of the past. In the first place India is now administered in two different and largely mutually exclusive levels. A federal government is essentially a government at two levels, the Central level and the States level, with powers clearly defined over a vast area. All-India administrative conceptions of the past were those of a centralised state, no doubt with wide decentralisation of power; large provincial administrations did exist, but they were controlled by the centre and exercised only such powers as were delegated to them. The existence of a large number of States in India in the past before the British should not blind us to this fact, for each one of them followed a tradition of centralised unitary government. Government at two levels is a new conception in India.

This concept of a federal government has a farther consequence the importance of which has not yet been fully recognised. The main administrative functions today are all with the States and not with the Centre. The Centre's effective power is in regard to defence, foreign policy, transportation, communications and finance. Though these are of supreme importance, they are less important from the point of view of the traditional administration than land revenue, irrigation, education, sanitation, agriculture, forests, etc., in respect to all of which both legislative authority and administration are with the states. Constitutionally the federal and state areas are mutually exclusive, except in the concurrent field where the administration must inevitably remain with the units. The federal constitution thus for the first time breaks up the doctrine of unitary administration which India had inherited from the time of the Mauryas. The practical implications of this basic change we shall deal with later in some detail.

The second difference is in the nature of administration itself. The previous administrations of India concerned themselves mainly with law and order, collection of revenue, the maintenance of communications and such economic activities as were considered profitable for the state or essential to its security. Law and order, collection of land revenue, etc., are important today also, but the objectives of the government have changed radically. The main activities of the government are today in the economic field, in the sphere of the natural resources, and their utilisation for public welfare. Large amounts of public funds are invested in public enterprises which are being administered by government. The socialistic pattern of society and the welfare state to which India is committed raise administrative problems, which neither Kautalya nor Akbar, nor our former British rulers had even contemplated. The entire administrative machinery has to undergo wholesale reorganisation if the new conception of an administering state has to be successfully put into effect.

Thirdly, our administrative system has to be adjusted to the democratic processes of government. All our administration in the past worked under an authoritarian centre, whether that of the absolute monarch as in the earlier times, or under a bureaucratic centralism as under the British. The former administration to use a German phrase was cameralist, that is, the services themselves formulated and carried out the policy of government. The administration and the government were not different. Today in India the government at all levels from the 'gaon sabhas' to the central parliament is democratic. Both outside and inside the government the democratic machinery functions, influencing every aspect of our life. Administration has to be carried on under that all-pervading authority, which even if it does not invade the spheres

of executive action, influences it at all stages and levels. From the Minister in the Central and State governments to the presidents of the village councils, the elected representatives of the people directly concern themselves with the business of government and thereby share in the work of the administration.

The impact of these three major changes on our administrative system requires careful analysis. The apparent continuity of the machinery of administration has so far obscured this radical, almost revolutionary, character of the change. To all outward appearance the same hierarchy functions. The district still has its 'Trimurthy', the collector, the district judge and the superintendent of police. The secretariat is organised much in the same way as before. The State secretariats have their chief secretary and his colleagues in charge of departments assisted by deputy secretaries, under secretaries and others, sitting in the same rooms and attended by chaprasis wearing the same uniform. Their general procedure of conducting work with notings and minutes and their forms of address have not changed. Similar is the position at the Centre. The great departments of the state function as before and the illusion is created that the monolithic structure that we took over from the British has endured and is functioning much the same as before, except that the new recruits no longer write I.C.S. after their names but are described as I.A.S.

But the position as I ventured to point out is totally different. The spirit has totally changed, though the forms have remained and the impact of Federation, democracy and the socialist pattern has created new forces, new motivations and new methods of work which require detailed analysis and study. Each one of these aspects is a major subject for research and I hope the Institute of Public Administration will conduct basic studies on these problems. Here I can only indicate how these factors, individually and collectively, have transformed our administration.

The two-level administration which the Federation implies cuts at the very unity of our all-India services. The problems dealt with at the Centre and in the States are now altogether different, and though the central administration continues to be staffed by members of the civil service requisitioned from the States, the work they have to do bears but little relation to what is being done in the States. The emphasis at the Centre, apart from Ministries concerned with purely all-India matters like railways, posts and telegraphs, audit and accounts has shifted to subjects like steel, industry and commerce. Administrative methods and procedures in regard to these subjects cannot be the same as those with which the States are directly concerned. The experience gained in the States provides an adequate basis for work at the Centre. Besides the range of work has increased so greatly and the higher personnel of the services has multiplied to such an extent that the old system of requisitioning men from the States must inevitably lead to a great weakening of the States' administration. Before the war, in 1939, there were only 6 secretaries to government at the Centre. Today there are 26. The number of joint secretaries hardly amounted to half a dozen. Today there are 65. In the Finance Ministry, there are three full-fledged secretaries and over 25 joint secretaries. To staff all these high offices with personnel from the states would be to deplete and thereby cripple the administration of the units.

No doubt, it is useful for the States to have men with some experience of the central administration, so that they have a wider view and an all-India approach. But this would clearly be only at the intermediate level of deputy secretaries and under secretaries. A

short period of deputation at that level may be desirable. But the importance of such experience at the Centre is not so great now as it was in the past, when policies were determined by civil servants. Today the all-India point of view must come not from the services, but from political chiefs. Policy at both Federal and State levels is determined by Ministers and the method of ensuring co-operation and co-ordination is by frequent discussions at government level and by the control exercised by the national parties.

It would appear, therefore, that one notable effect of the federal system is to bring about a separation between federal and state services. While the recruitment and general training of the main services must as now continue to be on an all-India basis, I think the time has come for a separation of the personnel of the central administration from that of the states. Undoubtedly a basic training in district administration in order to familiarise even those employed at the Centre with the problems of rural India will be necessary. But after a period of, say, five years in the districts, those who are to serve the federal government should be placed in a different cadre and permanently assigned to the Centre, and those allotted to the States placed on different State cadres. Such a change in my opinion has become necessary, and it cannot long be delayed. Any attempt to maintain the old system on a false notion of continuity is to forget the basic change in our political structure brought about by the federation and will be unfair to the States, whose best men are always being requisitioned by the Centre and once so requisitioned show a natural tendency to remain at the Centre. A two-level administration requires a two-level civil service, and however much we may regret the breaking up of the old system, we cannot long avoid it.

One all-India matter which requires special consideration is the problem of internal security generally described as law and order. Under our Constitution, law and order is the function of the State government. The effectuating machinery is with the States except for what was known as the Crown Police Force. So far as the functions relating to internal peace are concerned, they must clearly be with the units, but there is an all-India aspect of this problem which cannot be dealt with by the ordinary process of co-ordination. Under the unitary system of British administration the central policy in regard to matters affecting internal security was under one control, that of the Home Department of the Government of India. Today the Home Ministry, though faced with graver problems of internal security, has neither the authority nor the machinery to deal with this problem. Even the Central Intelligence Service can only keep the Home Ministry informed of what is happening. Action can only be recommended to the State governments. Administrative problems likely to arise from this strange weakness of the Centre have escaped our attention because so far the Central and State governments have been, with minor exceptions, under the control of a single party. But that cannot be postulated for all time. When, as is likely some time, there is a difference in political approach between a major State government and the Centre, the issue may assume serious proportions, for the problem of internal security today is one of dealing with subversive movements aiming at the structure of the state itself.

The second difference from the past, which fundamentally changes our administrative problem, is the nature of our government itself. Our conception of government is not what the British rulers of India had. Broadly speaking, they followed a policy of laissez faire, limiting the activities of the government to the minimum. They were content with the establishment of what they called 'Pax Britannica', the collection of revenue for the upkeep of their government, and for the

defence of the Empire. It was a policy of minimum interference with life. We, on the other hand, are engaged on an unprecedented extension of the state activity in almost every sphere, economic, social and political; on mobilising and utilising our resources, on a complete transformation of our life. We have defined our objective not only as the creation of a welfare state, but the establishment of a socialistic pattern of society. What this means in terms of administration is something which no one has so far analysed or understood. We are simultaneously dealing with large scale industrialisation and with revolutionising life in rural areas, seeking to provide at the same time the necessary amenities of a progressive society, better education, health services, transport facilities and all this through governmental initiative. Governmental activity in this field has multiplied the manifold problems of administration particularly in the management of industries in the public sector. Government investments cover not merely large scale irrigation schemes like the Damodar Valley and Bhakra Nangal Projects, but immense industrial undertakings like the Sindri Fertiliser, the Chittaranjan, the three state-owned steel plants, the Hindustan Shipyard, the Hindustan Aircraft, the Integral Coach Factory, etc., apart from the nationalised Air Transport and now Life Insurance. Besides these, there are the Ordnance Factories and other Defence Force industries. The administrative problems arising from these vast undertakings, financed from the national revenue and controlled by Government are still an unexplored field.

THE INDIAN OVERSEAS BANK LTD.
MADRAS
(Incorporated in India)

Central Office: Madras

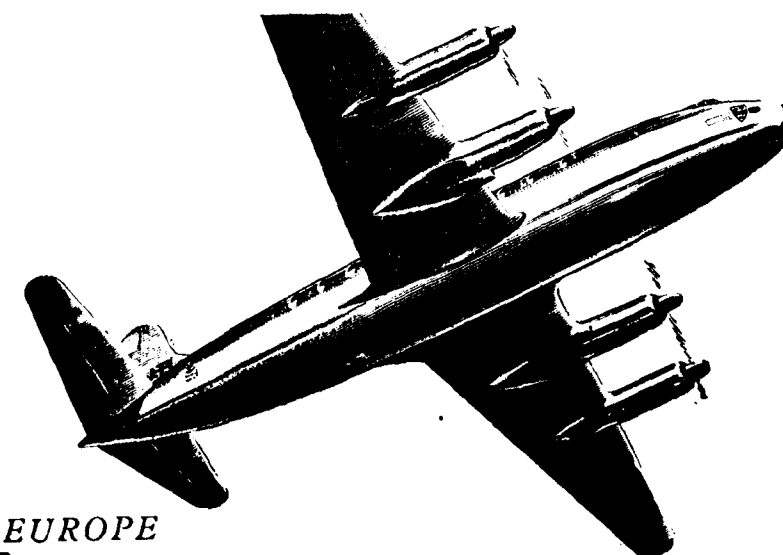
General Manager: Mr. C. P. Doraiswami

Branches at:
Bombay Calcutta Madras
and throughout South India

OVERSEAS BRANCHES

Burma	Rangoon
Ceylon	Columbo
Malaya	Ipoh, Kuala Lumpur,
	Penang, Singapore,
	Malacca
Thailand	Bangkok
	Hong Kong

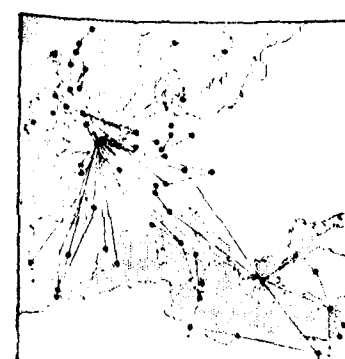
*agents & correspondents
all over the world*



WHEN IN EUROPE

fly **BEA** IN EUROPE'S FINEST AIR FLEET

For business, for pleasure—you'll do far more and see far more . . . if you fly BEA on your next trip to Europe. BEA's famous—and ever-expanding—network offers passengers fast and frequent services to over 50 of Europe's main business and holiday centres. BEA have more of the best airliners—more VISCOUNTS, for example, than any airline in the world. And BEA's long experience in air transport means you enjoy comfort on all routes, and personal service second to none.



BEA links LONDON with most of the principal cities of Europe, including—PARIS · NICE · BRUSSELS · VIENNA · AMSTERDAM · OSLO · STOCKHOLM · COPENHAGEN · HAMBURG · GENEVA · ZURICH · BARCELONA · ISTANBUL · MADRID · LISBON · PALMA · MILAN · ROME · NAPLES · ATHENS, and further afield, for example, to GIBRALTAR · MALTA · CYPRUS and CAIRO as well as WITHIN BRITAIN.

... and fly on the BEA CAR HIRE PLAN

BEA's new Car Hire Plan now makes the rest of your travel smooth as clockwork—in France, Holland, Belgium, Switzerland, Norway, Sweden, Denmark, Italy, Germany, Cyprus and in Great Britain. No deposit; full insurance.

BRITISH EUROPEAN AIRWAYS

Full details of air reservations from your local Travel Agent or any office of B.O.A.C. All arrangements for car bookings at BEA Offices in Europe; or BEA, Dorland Hall, 14-20, Regent Street, London, S.W.1. Gerrard 9833.



COTTON YARNS

OF ALL DESCRIPTIONS

FOR HANDLOOM, POWERLOOM & HOSIERY FACTORIES

MADURA MILLS COMPANY LIMITED

Phone: 250 (5 lines)

MADURAI
(SOUTH INDIA)

Telegrams: "HARVEY"

MILLS AT

MADURAI, TUTICORIN AND AMBASAMUDRAM

5,00,000 Spindles

Counts up to 80s

We Supply:

WARP YARNS, COMBED YARNS, HOSIERY YARNS, CONE, CHEESE AND HANK YARNS, SINGLE AND FOLDED.

SPECIALTIES:

Yarns for the Manufacture of

ROPES — HEALDS — CANVAS — TAPE
BELTING DUCK — TYRE CORD FABRIC — SEWING THREAD
MULTI-PLY & CORD YARNS

Managers:

A. & F. HARVEY LIMITED

PANDYAN BUILDING

MADURAI
(SOUTH INDIA)

Phone: 420 (4 lines)

Telegrams: "HARVEY"

STATE BANK OF INDIA

Successors to the Imperial Bank

The need of the day

Our country's economy is expanding rapidly and with the Second Five Year Plan in sight it will gather further momentum. The need for a strong and efficient banking system has never been greater than today as the nation's savings require to be pooled and managed in a resourceful, confident and prudent manner.

The State Bank fulfils these expectations. It has started upon a programme of opening 400 additional branches throughout the country within the next five years.

The State Bank of India offers to serve you efficiently in many ways. It takes care of your savings and valuables, lends moneys against goods, produce and other approved securities and assists you by accepting appointment as executor and/or trustee of your will or trust. Its wide and varied services are at your disposal. Why not talk things over with your nearest bank agent, or write for information?



The State Bank's branch at Delhi, one of more than four hundred offices waiting to serve you throughout India

STATE BANK OF INDIA

Largest of the Indian Joint Stock Banks

The Business World

SALES TAX LAW VALIDATION ORDINANCE 1956

(Contributed)

THE principal object of the Sales Tax Law Validation Ordinance, 1956, which takes effect from January 30, 1956, seems to be to protect between April 1, 1951 and September 6, 1955, the various States which have levied or collected inter-State sales tax from non-resident dealers who may have demanded refund of the amounts paid to them by reason of the latest Supreme Court judgment delivered on September 6, 1955 in the case of the Bengal Immunity Co. vs. the State of Bihar. Besides safeguarding the revenues already accrued to the States, one must take it that the object also includes the maintenance of the status quo as it prevailed in this matter on September 6, 1955, leaving States to appropriate what they had by then actually levied and collected, without any right to re-assessment orders which had not culminated in actual collections nor allowing any right for refund to the non-resident dealers who had made payments.

The Ordinance has validated the levies or collections (that is levies and collections) according to the various States' laws for the period from April 1, 1951 to September 6, 1955, although for the period from April 1, 1951 to March 30, 1953 when the judgment in the United Motors Case was delivered by the Supreme Court, it was generally understood in every State that no State had any right to collect inter-State sales tax by virtue of Article 286 of the Constitution and instances must have been few indeed when any dealer had paid any sales tax at all, not to the "consuming" State which had acquired a new right to levy on the non-resident dealer (it was interpreted like that) after that judgment, but to his own State under its own Sales Tax laws.

The second period included within the extreme dates mentioned in the Ordinance is that between March 30, 1953 and the various dates accepted by the States' Governments for such inter-State collections as agreed at the financial officials' committee in November 1953. Therefore between April 1, 1953 and the date lines evolved, non-resident dealers enjoyed certain immunity from inter-State sales tax demands. The object of the Ordinance is also clearly not to re-open the transactions of this period either for the benefit of the States concerned for making fresh claims or for allowing non-resident dealers to demand any refunds for whatever sums that might have been paid.

The third period is the last phase from March 30, 1953 to September 6, 1955 between the two Supreme Court judgments. Barring West Bengal, which throughout refrained from collecting any inter-State sales tax, most other States had taken advantage of the first judgment and had levied and/or collected some amounts from non-resident dealers. Practically the full effect of the Ordinance is to be seen only in its application to the inter-State transactions that took place during this interval. Here again we meet with different kinds of problems.

(1) Some non-resident dealers who never submitted any returns to the consuming State nor, therefore,

paid any amount at all to that state. These persons have completely avoided all trouble and are also protected under the Ordinance.

(2) Some non-resident dealers had submitted returns in accordance with the Sales Tax Laws of the consuming State and actually paid over the full amounts in respect of all transactions; these dealers can get no relief by way of refund under the Ordinance;

(3) Some non-resident dealers had submitted returns but as no assessment had been made had not paid over any amount or were pleading in answer to the demand that they had not themselves collected any sales tax amounts from their buyers. The Ordinance must protect such dealers also, as the States cannot have a right to make fresh collections of arrears.

(4) Some non-resident dealers had submitted complete returns of the amounts, collected as well as not collected, and as no assessment had been made prior to 6th September 1955 had rightly refunded part of their collections to their buyers who demanded such refund on the strength of the clear judgment of the latest Supreme Court that such collections of the past were clearly illegal till Parliament by fresh legislation made such collections valid.

It may be possible that there are other kinds of individual cases. To set at rest any hardships to anybody, in the coming legislation to regularize the Ordinance, there should be a complete ban on the re-opening of any kind of past inter-State transaction whatsoever, be it by the State Governments or by the non-resident dealers for refunds. Otherwise one can visualize various complications and vexatious threats of litigating the matter in law courts by some parties. In fine, as has been stated at the outset, the ensuing Parliamentary legislation must seek to maintain the status quo as it obtained before 6th September, 1955, with whatever imperfections there might have been in the financial gains or losses of the States or parties on either side. The volume and weight of inconveniences by reopening of past transactions will surely be greater than the few anomalies that may exist by confirmation of the existing order of things. A few possible cases of individual hardships need not be counted in the larger interests of the entire community, who can between 6th September, 1955 and till Parliament by legislation validates inter-State sales tax may enjoy a peaceful exemption from any such levy. This will be adequate compensation for the burdens previously suffered.

But one fears that this period of immunity may not last long as Central legislation on the subject on the outlines of the recommendations of the Taxation Inquiry Commission is inevitable. Here again, to avoid fresh complications the proposed legislation should start with only a prospective levy of inter-State sales tax from a fixed future date line to enable the mercantile community to reconcile themselves to a comprehensive levy, not to speak of the adjustment of the States' budgets accordingly.

INDO-GERMAN CHAMBER OF COMMERCE

By
CROESUS

NO one who has been to the Continent after World War II has come back without admiring the remarkable recovery which Germany has made since the war. Several reasons for this have been given by Indian

visitors as well as other foreign observers of the post-war reconstruction of Germany. But the explanation given by Dr. Bluecher, the Vice-Chancellor of Germany, who specially came down to Bombay to be present on

the occasion of the inauguration of the Indo-German Chamber of Commerce a few days ago, appeals to me very much, perhaps because it has come from a German himself. Said Dr. Bluecher:

"We ascribe the rapid reconstruction of Germany after the war to the intelligent co-operation of the State with the private industry. Enterprise and hard work on the part of both management and workers, together with careful guidance by the authorities, these are the ingredients of our recovery."

It would be worthwhile for our business men and Government, as also our workers, to ask themselves the question as to how many of these ingredients exist in this country today. I do not think that, despite all the doubts and fears expressed by spokesmen of private enterprise, there has been a cessation of further expansion of existing industries and creation of new ones on the part of private enterprise. On the whole, it can be said that our workers too have been giving of their best, except, of course, when they are misguided by professional agitators, who style themselves as trade union leaders, to strike work or to go slow. Not until the Indian worker becomes sufficiently literate and responsible enough to know his own rights and responsibilities, especially his responsibility to his country, will it be possible to wean him away from the evil influence of undesirable outside leadership.

Be that as it may, can we say that there is intelligent co-operation between the State and the private industry? Perhaps I had better ask whether there is co-operation at all between the State and private enterprise to the extent necessary. There is a disposition in certain political circles, which are swayed more by ideological rather than practical considerations, to minimise the imperative need for helpful co-operation between the State and private enterprise. Co-operation implies a certain amount of give and take also a degree of mutual respect. More often than not, especially latterly, private enterprise is treated as a suppliant subordinate of the Government and asked to take orders instead of being asked to offer suggestions, if not advice. In certain official circles, it would seem, seeking such suggestions or advice is regarded as 'infra dig.' The result is lack of understanding and an avoidable atmosphere of suspicion. Because of this suspicion, enemies of both private enterprise and opponents of mixed economy have succeeded in creating the unfortunate impression that private enterprise stands in the way of implementation of the socialistic pattern of society. I hope that, at least from the approach of West Germany, these doubts and apprehensions about private enterprise would be dispelled. By her approach, West Germany has clearly demonstrated that, on questions of economic relations, it matters in the least as to whether the deal is between business men and business men, or between business men and Government, or between a people who are highly advanced industrially and those who subscribe to the philosophy of small and cottage industries. I was really struck by the genuine enthusiasm shown by both the first President of the newly created Indo-German Chamber of Commerce, Mr. K. K. Heller, and the German Vice-Chancellor to greatly expand the present volume of Indo-German trade. Thorough as the Germans are always known to be, they have not been slow to capitalise on what they have done so far. Truly, the record of Indo-German co-operation catalogued by Dr. Bluecher is quite impressive. But the resourcefulness which characterised the German approach to India's plans for small-scale and village industries is really amazing. Thus, the Vice-Chancellor of Germany said: "We are greatly interested in your plans for small-scale and village industries. Germany has centuries of experience in this field and, in some parts of the country, economic life is mainly based on

small and home industries." This is indeed revealing, but, even more than this, I was as much intrigued as interested to hear Dr. Bluecher speak of the German plans with India's Ambassador to Germany, Mr. Nambiar, the possibilities of how best to promote India's small-scale and village industries. Surely, as he claimed, Germans are interested in helping the development of Indian industries and they have also quite a fund of experience to be able to help us in the gigantic tasks ahead of us.

After saying all this, which was perhaps all that a formal function, such as the inauguration warranted, it is significant, Dr. Bluecher went on to mention about certain doubts and fears of German business men. He particularly mentioned the problem of residential permits and the difficulties arising from the "peculiarities of Indian Income-tax system".

He must have had other apprehensions still which all Westerners feel but consider it perhaps delicate to mention over and over again. But I can say, from my conversations with a number of Western business men, that they are very disturbed over the latest constitutional amendment and the nationalisation of insurance. However, the cumulative effect of all these has been to drive the Western business men to adopt an attitude of wait and watch instead of taking on any further commitments.

West Germany's readiness to accept the "big opportunities" under the second Five-Year Plan, as their spokesman put it, is therefore, particularly significant in this context. The realisation on the part of West Germany that the pattern of trade has been gradually changing and is likely to change still further and that, therefore, she should speak more in terms of increasing her exports of heavy and general machinery is a practical and realistic approach which other countries of the West would do well to follow.

Where does the Indo-German Chamber of Commerce come in in all these? Was there need for yet another Chamber of Commerce? These are the natural questions that occur to anyone in connection with the inauguration of this new Chamber of Commerce in Bombay. Both Dr. Bluecher and Mr. Heller doubtless anticipated these queries, in that they themselves provided the answer in the course of their speeches. The former said that the new chamber did not belong to a type known to India, but was one which has proved its value in many other lands, while Mr. Heller referred to the fundamental changes the world trade has undergone, especially the increasing controlling influence of Governments in the conduct of trade and the post-war tendency to view international trade in bilateral terms. "The innumerable rules and regulations, import and export restrictions, price controls and other laws that affect the economies of different countries in different ways," he went on to add, "made it impossible for the ordinary Chambers of Commerce, as traditionally constituted, to deal with the individual problems of two individual countries." This had given rise, he said, to the establishment of bipartite chambers of commerce which mainly concern themselves with the economic relations of the two countries concerned only. A notable feature of these chambers is that they function on a completely reciprocal basis in the two countries, the members of both the countries being entitled to membership and directorship on a fifty-fifty basis, with the office of the President alternating between the two countries in rotation. According to Mr. Heller, bipartite chambers of commerce function either on a reciprocal basis between two countries by maintaining their respective chambers in the guest country or, where such is not possible, by establishing one chamber only on an equal footing in one country alone, as in the case of the newly inaugurated Indo-German Chamber of Commerce. It is noteworthy that the new chamber proposes to work in close

co-operation not only with the Governments of India and Germany, but also in collaboration with the other chambers of commerce in the two countries. This means that the activities of the Indo-German Chamber of Commerce will in no way conflict with, or impinge on, the work or activities of the other chambers, an assurance which Mr. Heller did well specifically to make at the inaugural meeting. This should have dispelled apprehensions, if any, in the minds of spokesmen of other chambers of commerce that were present on the occasion.

Finally, I must say that half the fears that are entertained in this country about foreign aid in the implementation of the second Five-Year Plan would be dissipated if more Western countries adopted the same approach as West Germany has done towards our

second Plan. This country—West Germany—seems to have completely analysed the heavy machinery and equipment requirements that would be necessary to implement both the development projects in the public sector and the expansion and launching of new industries in the private sector with a view to ascertaining what West Germany could offer. This should enable her not only to make an offer of what India needs, but to do so on the most competitive terms as well. West Germany has also not been slow in the matter of closer collaboration in the manufacturing field not only with the private sector but also with the Government of India. After all these worthwhile attempts, crowned as it has been by the recent inauguration of the Indo-German Chamber of Commerce, there is very good reason to expect a closer and better phase of Indo-German economic relations in the near future.

Letters to the Editor

A LEGAL ANOMALY IN THE NEW COMPANIES ACT

Sir,

Section 645 of the Indian Companies Act 1955 says:

"Nothing in this Act shall affect any order, rule, regulation, appointment, conveyance, mortgage, deed, document or agreement made, fee directed, resolution passed, direction given, proceeding taken, instrument executed or issued, or thing done, under or in pursuance of any previous companies law; but any such order, rule, regulation, appointment, conveyance, mortgage, deed, document, agreement, fee, resolution, direction, proceeding, instrument or thing shall, if in force at the commencement of this Act, continue to be in force, and so far as it could have been made, directed, passed, given, taken, executed issued or done under or in pursuance of this Act, shall have effect as if made, directed, given, taken, executed, issued or done under or in pursuance of this Act."

Things done under or in pursuance of the provisions of the Companies Act of 1913 such as a regulation in the articles of a company or an agreement or resolution concerning the appointment, term of office, powers, remuneration, etc., of a managing agent, manager or managing director or the appointment of a life director or of a sole selling agent, or the making of loans, investments, etc. permitted by the previous Act, though prohibited by the provisions of the present Act, all come apparently within the scope of this saving section.

Now we shall take, for instance, Section 331 of the new Act. It says that "All provisions of this Act other than those relating to the term for which the office can be held shall apply to every managing agent holding office at the commencement of this Act, with effect from such commencement."

If the terms of agreement of an existing managing agent had provided for larger remuneration including ample office allowance, or vaster powers, or had conferred on him any special rights or privileges such as the right of appointing one-third of the directors, or acting as selling and buying agents, or being entitled to compensation for loss of office under any circumstances whatsoever, Section 331 is enacted to put an end to them, whereas Section 645 seeks to save them.

The saving Section 645 has been simply copied from the Section 459(2) of the English Act, without taking into consideration, it would seem, certain special features of the Indian enactment, especially the elaborate

provisions by way of restrictions and prohibitions, relating to various aspects of the managing agency system, and those dealing with the terms and conditions of employment, remuneration, duties and powers of directors, manager, managing director, managing agent and/or secretaries and treasurers.

So also, another saving Section (Section 657) provides among other things, that, "nothing in this Act shall affect—

(c) Table A in the First Schedule to the Indian Companies Act, 1913 (VII of 1913), either as originally contained in that Schedule or as altered in pursuance of Section 151 of that Act, so far as the same applies to any company existing at the commencement of this Act."

This is reproduced from subsection (14) of Section 459 of the English Act.

Very many small and moderate-sized existing companies in this country have as their Articles, either the whole or certain specified portions of the Regulations in Table A of the First Schedule of the Companies Act of 1913. Within the knowledge of the present writer in several cases some of the regulations so adopted are Regulations Nos. 69 and 72 of that Act. These are directly opposed to the provisions of Sections 198, 309, 310, 311, 314, 317, etc. of the present Companies Act.

Now, what is the legal effect of these saving clauses vis-a-vis the provisions in the body of the Act, to which they are repugnant?

The case law on the subject is meagre. It was decided in an early English case (Alton Wood's case (1600) 1 Coke's Reports 401) that a saving clause which is repugnant to the purview of a statute is to be rejected and treated as void, and this is approvingly quoted in Halsbury's 'Law of England' 2nd Hailsham ed., Vol. 31, page 486 and discussed in Craies' Statute Law (1952) 5th ed., page 204. On the other hand, the view expressed in Maxwell's 'Interpretation of Statutes' is that "the later of two passages in a statute being the expression of the later intention should prevail over the earlier, as it unquestionably would, if it were embodied in a later Act" (6th ed., Chapter VII, page 283). It is the considered view of the present writer that where one and the same Act of Parliament is concerned, any saving clause repugnant to and having the effect of defeating any of its main provisions is to be treated as void and of no effect. But so far as litigants in this

country are concerned, until the Supreme Court gives a decision on the subject, the position will remain uncertain.

Be it as it may, the point presently for consideration is whether when so thorough-going a piece of legislation is enacted, after many years of deliberation it will not be detrimental to the progress of the country and all interests concerned, that there should be left such serious drafting anomaly giving room for needless and avoidable uncertainty and needless airing of

the spirit of speculative litigation. And it is particularly paining to the present writer to feel that though after the Joint Committee made their Report he brought this defect to the notice of those who piloted the Bill in Parliament, he could not succeed in impressing them of its importance.

Yours faithfully,
A. RAMAIYA.
Advocate

MADURAI

"TUSSLE OVER TEXTILE TARGETS"

Sir,

"Croesus" has ('The Eastern Economist', January 13) entered the lists again to defend the indefensible. He quotes with approval the statement of Sir Sri Ram that it would not be possible to increase the shifts, except perhaps in a mill or two here and there. The Commerce Minister's figure establishes that the mills can produce over 285 million yards of cloth over and above the 5000 million yards. According to reports most of the Ahmedabad mills have gone into the third shift; and Ahmedabad is the second largest textile mill centre in the country! It is not the case of "one or two mills here and there". Again, already over 2 million spindles and 12,000 new automatic looms have been licensed. Certainly these will go into production, too, in the course of the next two years. Why, then, this clamour for more mill spindles?

Whoever told "Croesus" that the Ambar Charkha cannot produce yarn above 20's counts? The fact is that the Ambar Charkha can produce yarn from 16's to 40's and above with Indian cotton and no mixture. The fact is also that for medium counts of yarn, mills have to mix Indian cotton with foreign cotton. The Ambar Charkha has another advantage. Quality to quality of Indian cotton, the Ambar Charkha spins 5 to 10 counts above that spun on the mill spindle.

In quoting Sir Sri Ram's view, "that exports can only be possible of commodities for which there is a good home market", because if export fails to reach expected levels, there is always the home market to fall back on, "Croesus" has let the cat out of the bag. At no time have our exports of textiles reached the

target of 1000 million yards fixed for the second Five-Year Plan period. Millowners know that the export target is impossible of attainment in the changed conditions, and, therefore, if more spindles and looms are permitted to go into production, there will always be additional production with which they can strangle the struggling handloom industry.

The fear that if increase in mill production is banned and handlooms without the yarn are unable to produce enough there will be heavy shortage of cloth as a whole in the country is exaggerated. Do the handlooms get the supply of yarn that the industry requires? The production capacity of the handloom industry in the country is 3,200 million yards and production today does not exceed 1,500 million yards. What is the cause of this unused productive capacity? Non-availability of yarn. What the protagonists of the Ambar Charkha say is that the additional yarn required should be supplied through this Charkha and thus rescue the handloom industry from its uncertain dependence on mills. They do not say that the Ambar Charkha should "produce all the yarn required by the handlooms", as "Croesus" assumes, but only that quantity of yarn that is required for the production of the additional quantity of cloth for which there may be demand during the second Plan period. It is their contention that the Ambar Charkha is capable of producing the yarn, given the appropriate operative conditions; and they ask for nothing more.

Yours faithfully,
C. K. NARAYANSWAMI

A Guide to

THE INDIAN COMPANIES ACT

By A. RAMAIYA, Advocate, Madurai.

PUBLISHED BY

THE MADRAS LAW JOURNAL OFFICE, MADRAS-4

The changes in Company Law effected by the new Act are so thorough and voluminous that it cannot be called a mere amendment of the previous Act. The new Act will call for frequent and constant reference to its provisions from those concerned with the management of Companies. We have pleasure in offering the GUIDE TO THE INDIAN COMPANIES ACT which explains lucidly the changes made by the new Act.

The book is written by a lawyer with wide experience in this branch of Law for many years and brings to bear on this subject his vast practical knowledge.

An indispensable Guide and Book of reference to Managing Agents, Directors, Secretaries, Accountants, Company Lawyers and Top Executives.

READY 15TH FEBRUARY, 1956.

Register Your Order For A Copy Today

PRICE RS. 10/-

Postage Extra.

BUSINESS NOTES

NEW STEEL PRICE

THE NEW retention price of Rs. 393 for steel represents a rise of Rs. 8 per ton over the ad hoc price of Rs. 385 sanctioned from April 1955. The principle of uniformity of prices for both the major companies has now become officially established, but this may not ensure the manufacturers much because the resources in position remains rather tight. A significant change in policy is the fixation of prices for a fairly long period, i.e., for five years from 1955-56 to 1959-60. In the fixation of the new uniform price, however, care has been taken to allow for variations in the production level assured for purpose of fixation of steel price. For example, if, for reasons beyond their control the IISCO find their works costs in 1958-59 or 1959-60 to be higher than those assumed by the Commission, they may apply to the Government for a review of retention prices. Again, the retention prices may be adjusted from time to time to the extent that manufacturing costs have altered from 1954-55 as a result of changes in railway freights, statutory prices of fuel, raw materials, stores or machinery, and changes in labour costs.

It is natural that the retention prices should be related basically to the works costs of the Indian Iron and Steel Company, which are the higher of the two. This means that the Tata Iron and Steel Co., has been denied the superior benefit of lower production costs, but it is assumed that the Indian Iron and Steel Co. also will sign an agreement with the Government similar to that by the Tatas to the effect that the excess of the effective retention prices over the 1954-55 prices will, after taxation, be transferred to the Special Development Fund.

INDO-US AIR AGREEMENT AT LONG LAST

NEGOTIATIONS FOR a revision of the original air transport agreement, concluded between India and the United States in February 1946, which took a protracted course for three years, were brought to a conclusion acceptable to both the parties and an agreement was signed on February 3rd last. Meanwhile, the original agreement was terminated on January 14, 1955, at India's option and the two American airlines—TWA and PAA—were granted provisional licences to operate scheduled services across the Indian territory on a reduced basis. The bone of contention in these negotiations mainly concerned the fifth freedom traffic, that is, traffic originating in or destined for third countries on the routes specified in the bilateral air transport agreement.

The original Indo-US agreement of February 1946 was the first international air transport agreement entered into by India with any country and at that time India had no subsisting or immediate interest in overseas aviation. But later when she made her entry in international commercial aviation, she realised that equality of opportunity for development of airlines of the contracting parties, which was provided for in the Indo-US agreement of 1946, was theoretical. In conditions of gross inequality of resources, India, as a new and weak entrant, could draw little benefit from it. In plain words, she found the prospect of the development of Air India International hindered by the amount of fifth freedom traffic which was served from time to time by the US airlines. In her agreements with the UK, the Netherlands and Australia, which were concluded subsequently, India secured the incorporation of terms which would assure a reasonable sharing of this fifth freedom traffic on a basis related broadly to the capacities of the airlines of the contracting parties. This was in accordance with an accepted practice. India asked for a revision of her first agreement with the US to provide for this accommodation

in respect of traffic on the specified routes originating or terminating in the territories of third countries. This modification could not be obtained so far.

It is gratifying that the differences between the two countries primarily on this issue have been ironed out. The main angle from which the practical value of the second Indo-US air transport agreement of last week will be judged is the arrangement for a broad allocation of the fifth freedom traffic. It does not, of course, imply any precise or mathematical formula for distribution. But the purpose of the practice of sharing of this traffic is to accommodate both the parties and to allow their airlines reasonable scope to participate in development. The frequency of TWA and PAA has been restricted to two round trips per week and may be increased only with India's consent on the ground of increase in traffic between the two countries. Article 6 of the Indo-US agreement declares that fair and equal opportunity will be granted to both the parties to carry traffic. Articles 7 and 8 stipulate that expansion of the services of any airline will be undertaken after recognition of the capacity of the airline of the other party to serve this traffic and no unreasonable expansion will be made which will militate against the principle of orderly development. The machinery for the supply of the relevant statistical data to assess the implementation of this understanding has also been set out in the agreement.

PAYMENT BY RESULT

THE DECISION of the Labour Appellate Tribunal on the Meher Award to Bombay dock labour must be considered as quite reasonable. It is an attempt to relate wage with outturn and, to that extent, it is designed, and may also be expected, to solve the problem of slow outturn in the docks. But, so long as the datum line fixed is not regarded as altogether satisfactory by labour, some unrest and discontent is bound to persist, although this may not seriously dislocate work at the port.

Since July, 1949, bonus payments, fixed at twice the normal rate for tonnage above the agreed datum line, have been operative, but the response to this incentive scheme has been rather disappointing. The incentive bonus of Rs. 2 lakhs earned by the dock workers in 1950-51 declined to Rs. 30,000 in 1953-54. In recommending piece-rates instead of the time-rated wages, the Tribunal award marks a major departure from the existing procedure in the port of Bombay. The piece-rate system is determined on the basis of a datum line—normal output by an individual. The daily wages are determined in relation to this datum line. The employees' case is that the datum line, fixed by the Port Trust in 1949, was much higher than the normal output of a worker. The Tribunal has accepted the claim of workers with regard to datum line in connection with certain categories of workers. In fact, the Tribunal has so arranged the datum and fixed the emoluments that, according to it, willing workers can reach the datum lines and, with a little extra effort, even secure those rewards which a piece-rate system offers. In its view, workmen would be receiving the equivalent of their present wage at about 87 and 88 per cent of the datum. While accepting the present daily wage as adequate, the Tribunal has introduced this innovation, namely, that there is a steady rise from the minimum daily wage of Rs. 3-1-0 at 76 per cent of the datum line to Rs. 4-5-0 at 100 per cent. Only a brief span between 90 per cent and 94 per cent, it is slightly below the wage awarded by Mr. Meher, but, outside this span, it is generally higher. From Rs. 4-8-0 at 100 per cent, the piece-rate wage rises uniformly to Rs. 8 at 150 per cent of the outturn, where it meets the Meher Award line.

Labour Union's objection to the piece-rate system is due to the fact that workers cannot be sure of the amount they will earn every day. They say that while, from the strictly theoretical point of view, it is desirable to link wages with outturn, yet practical difficulties in working out the scheme are considerable. Employers, on the other hand, contend that the time-rate system has failed since a fair day's work for a fair day's wage is not obtainable, and that a change of system is the only answer to the shortfall in outturn and general atmosphere of indifference to work in the docks. Notwithstanding these differences, it is significant that labour circles have welcomed the modifications effected by the Tribunal, and it is indeed a hopeful sign that the new scheme is to have a fair trial for a year.

POWER TRANSFORMERS

THE TRANSFORMER industry occupies an important place in the economy of the country in view of the several large hydro-electric undertakings in progress and the large-scale rural electrification that has been planned. The current annual demand for the transformers is estimated at 700,000 to 900,000 KVA against which the total rated capacity on a single shift basis of the eleven units now under production is as yet 745,000 KVA. However, after the successful completion of the plans of expansion of different units, the annual rated capacity is expected to increase to about 1,200,000 KVA by the end of 1958. That shows there is no lack of enterprise in this sphere, but this enterprise needs to be properly harnessed by active assistance at the hands of Government.

Now, producers have demanded continuance of protection to the industry beyond December 31, 1956, because of the low prices quoted by foreign manufacturers and the comparatively high costs which have to be incurred by indigenous manufacturers. Commensurate with the increase in rated capacity, there has generally been a substantial increase in the output of transformers since 1952. But while the production of three phase transformers showed progressive increase from year to year, there has been a sharp decline, from 1954 onwards, in the production of single phase transformers. The production of three phase transformers was nearly 500,000 KVA in 1955. A bulk of the production still continues to be of ratings up to 1,000 KVA and 11KVA on the H.T. side, but, in view of the fact that a large amount of additional generating capacity would become available during the second Five-Year Plan period, there should be an accelerated increase in the production of transformers in the higher rating groups.

Imports presently are on a quota basis, and they were valued at Rs. 1,61,68,952 in 1954-55 as against Rs. 1,97,50,172 in 1953-54 and Rs. 1,49,47,157 in 1952-53. The present protective duty of 10 per cent ad valorem, exclusive of surcharge, has been in force from 1952, when the industry was first granted protection.

NEW PEAKS IN U.S. ECONOMY: 1955

THE BUSIEST and most prosperous year in the history of the United States of America has just come to a close and latest information indicates a continuing upward trend. Demand for steel continues to outrun production and supply, although during 1955 a record 117 million tons were produced compared with 88 million tons in 1954. The Federal Reserve Board index of industrial production in November attained a high of 144 compared with 143 in October (1947-49=100). The boom in automobile sales appears to have reached a peak, however, as dealers' inventories continue to pile up; 7,940,862 cars were produced in 1955, compared with 5,509,399 cars in 1954. Nation-wide department stores sales are currently running about 11 per cent above a year earlier. New construction spending for

December amounted to about \$3.2 billions, off 12 per cent from November, but 3 per cent higher than December 1954; total new construction in 1955 amounted to approximately \$42.3 billions and established a record for the ninth straight year. Employment in December stood at 64,200,000 a new high, while unemployment at approximately 2,400,000, was only some 2,000 higher than in November. Personal income in November was at a record annual rate of \$311.4 billions compared with \$309.2 billions in October and \$290.3 billions a year earlier. Total consumer credit in November increased to \$35,059 millions, a rise of \$5,850 millions over November 1954.

HIGHER COST OF ADVANCES TO BANKS

A PRESS COMMUNIQUE issued by the Reserve Bank of India last week-end announces two changes affecting the cost of advances which banks obtain from it against usance bills. The rate of interest charged by the Reserve Bank on these advances will be raised by 1 per cent to 3½ per cent, effective from 1st March, 1956. The second change relates to the incidence of the stamp duty required to be paid in converting demand bills into usance bills. Half the burden of duty which was hitherto borne by the Reserve Bank will no longer be incurred by it from 1st March next. This shifts the whole incidence of the stamp duty on the borrowing bank, but it is negligible amounting to two annas for every thousand rupees or part thereof where the bills are payable in less than one year.

The increase in the rate of interest will go to enhance the cost of bank money and it is a point for interesting speculation whether banks will bear its incidence or pass it on to their borrowers. Considering the upward trend of banks' operating costs, it would appear that eventually it may be shifted to the clients. Even in that event, the Bill Market Scheme which was introduced in 1952 does not stand to suffer a setback since the rate charged on advances on usance bills will be lower than the Bank Rate by 1 per cent. The reason offered in the communique for this increase is that 3½ per cent was the rate originally contemplated under the scheme in 1952, but that it was reduced at the pressing request of banks. It is true that the Bill Market Scheme has stabilised and is now placed on a broader footing. But the timing of the increase may justify banks to raise a reasonable grievance. There are no inflationary pressures in evidence in the economy at the present time to necessitate curbs on credit. Rather, larger funds need to be made available at the existing, if not cheaper cost, to finance development activity. The change in the rate on advances against usance bills will operate in the other direction.

THE EASTERN ECONOMIST

(Subscription Rates)

	Payable in advance	
	India	Foreign
Annual	Rs. 50	Rs. 66
Half-yearly	Rs. 25	Rs. 33

Copies delivered by air in Bombay, Calcutta and Madras at an extra cost of Rs. 9/- per year.

Foreign air rates on application. Offices in New York, London and Tokyo.

The Manager,
THE EASTERN ECONOMIST LTD.,
52, Queensway
NEW DELHI

COMPANY AFFAIRS

THE CONSOLIDATED COFFEE ESTATES

The Directors' Report and Statement of Accounts of the Company for the year ended June 30, 1955, shows that the net profit for the year is Rs. 16,04,069. Add Balance as per last Directors' Report .. 4,24,565

TOTAL	Rs. 20,28,634
Less 6% Dividend on Preference Shares	Rs. 1,12,500
Transfer to Reserve for Debenture Redemption Fund ..	1,00,000
General Reserve ..	5,00,000
Leaving a balance of	Rs. 13,16,134
Out of which the Directors recommend the payment of a Dividend of 22½% free of Indian Income Tax on the ordinary shares, absorbing	Rs. 10,73,250
Leaving a balance of	Rs. 2,42,884
to be carried forward.	

In order to distinguish between immature and mature coffee more distinctly, the Board of Directors define immature arabica coffee as under five years planted and mature robusta as under eight years planted. Accordingly, the total coffee acreage of the company is:

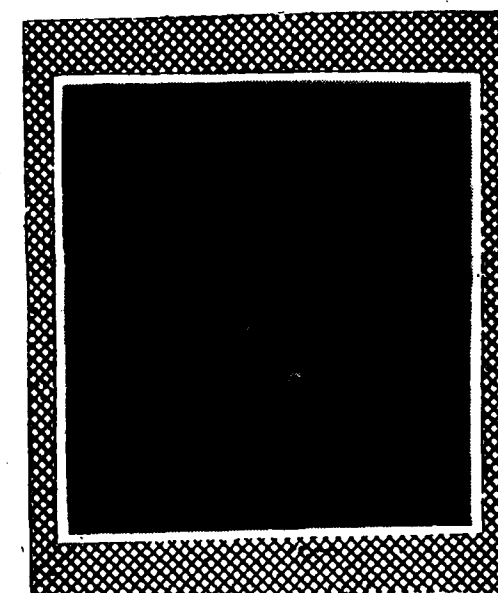
	Mature	Immature	Total
Arabica Coffee	3,718	466	4,184
Robusta Coffee	1,992	621	2,613
TOTAL	5,710	1,087	6,797

NELLIMARLA JUTE MILLS CO., LTD.

The Directors' Report and Audited statement of accounts of the Company for the half-year ended June 30, 1955, shows that the profit for the half-year, after making adjustments and providing for Depreciation Rs. 56,200 and Taxation Rs. 1,85,000 amounts to Rs. 2,57,089 to which must be added the—

Credit Balance brought forward from the previous half-year	1,31,393	
Amount received on account of Post-war E.P.T. Re-funds, net	76,520	Rs. 2,07,913
Making a total of		Rs. 4,65,002
From which the Directors have transferred to Reserve for Machinery Renewals		Rs. 1,75,000
Leaving an available balance of		Rs. 2,90,002
Which the Directors recommend should be distributed as follows:		
Dividend on 5,000 Preference Shares at 6 per cent per annum or Rs. 3 per share	15,000	
Dividend on 2,62,500 Ordinary Shares at 10 per cent per annum, or As. 8 per Share	1,31,250	Rs. 1,46,250
Leaving to be carried forward		Rs. 1,43,752

Difficult trading conditions were experienced throughout the period under review. Raw jute prices advanced steadily during the early part of the half-year but the rise in manufactured goods was not in proportion to the rise in Raw Material prices, and profit in simultaneous business was not possible. Prices declined in the latter part of the period. The devaluation of the Pakistan Rupee on July 31, 1955, was followed by the removal of Export Duties by the Government of India from August 1, 1955.



AL-IND
ALL ALUMINIUM
for low voltage distribution lines

Savings up to a minimum of 40 percent are assured by a switch to ALIND all-aluminium conductors. For short span, low-voltage distribution lines, ALIND all-aluminium conductors provide the most economical answer.

THE ALUMINIUM INDUSTRIES LIMITED

Leading Manufacturers of Aluminium Cables and Accessories

KUNDARA : T. C. STATE

Managing Agents : Seshasayee Bros. (Trav.) Ltd.

COMMODITY NEWS AND NOTES

RUBBER PRODUCTION IN INDIA

The quantity of natural rubber produced in the country is as follows:

1953	..	..	21,136	Tons
1954	..	..	21,493	..
1955	..	..	17,014	..

Synthetic rubber is not produced in the country. The annual requirements of raw rubber have been as follows:

1953	..	..	22,373	Tons
1954	..	..	25,487	..
1955	..	..	27,000	..

The estimated requirements of special purpose synthetic rubber are about 300 tons per annum. The export of natural rubber has been as follows:

1953	..	..	65	Tons
1954	..	..	11	..
1955 (January to August)	..	..	11	..

The question of export of synthetic rubber does not arise, as it is not produced in the country.

SHELLAC EXPORTS

Shipments of shellac during January 1955, were estimated at 23,943 packages compared with 37,433 packages in the previous month showing a decline of 30 per cent. Out of the total shipments shellac accounted for 15,668 packages, seedlac for 4,996 packages, but-ton lac for 402 packages and other grades for 2,877 packages. The corresponding figures for the previous month were 20,375; 10,856; 961 and 5,241 respectively. The sharp fall in exports is attributed mainly to lower offtake by the U.S.A., the principal customer for Indian shellac.

The price of pure T. N. which was Rs. 158 at the beginning of the current year, declined to Rs. 134 per maund by the end of last month and further to Rs. 132 in the past few days. The Bysakhi crop which accounts for nearly two-thirds of the total lac production is expected to move into the market in early April, 1956. As the crop is expected to be large in view of the measures taken by the Indian Lac Cess Committee to encourage lac production, there seem to be little prospects of any improvement in prices in the near future.

FIRST ESTIMATE OF LINSEED

The all-India estimate of linseed for 1955-56 puts the current year's area at 2,524,000 acres, as against the adjusted first estimate of 2,507,000 acres for 1954-55. This shows an increase of 17,000 acres or 0.7 per cent in area over last year.

The increase in acreage under linseed during the current year has been shared mainly by Rajasthan, Madhya Pradesh and Hyderabad and has been attributed to favourable climatic conditions at the sowing time. This increase has, however, been offset, to some extent, by decreases reported by Bihar, Madhya Bharat, U.P. and Bombay due to unfavourable weather conditions at the sowing time. This estimate does not cover the entire area sown to linseed crop during 1955-56.

SECOND ESTIMATE OF RICE

The all-India second estimate of rice for 1955-56 put the current year's area and production of the crop at 72,332,000 acres and 23,775,000 tons, as against the adjusted second estimate of 69,456,000 acres and 22,126,000 tons during 1954-55. This shows an increase of 2,876,000 acres or 4.1 per cent in area and 1,649,000 tons or 7.4 per cent in production over last year.

The increase in acreage during the current year has been shared by almost all the important rice-growing States, except Bombay, Madhya Pradesh, Orissa,

Mysore, Saurashtra and Himachal Pradesh, where slight decreases in acreage have been recorded due to unfavourable weather conditions at the time of sowing. The increase is particularly marked in the case of Bihar, West Bengal, Uttar Pradesh, Andhra, Assam and Hyderabad States and has been generally attributed to better climatic conditions at the time of sowing during the current year as compared to last year. For the first time, the estimate of Travancore-Cochin has been included in this estimate. This State accounts for an area of 1,067,000 acres and production of 547,000 tons in 1955-56.

RECORD WORLD SUGAR CROP

The world will produce the largest sugar crop ever in the year 1955-56, according to the U.S. Department of Agriculture. Most of the increase will be in Russia. The 1955-56 forecast for the Soviet Union at 3 million short tons is 500,000 tons more than the 1954-55 figure. Other major sugar producing countries are Cuba which estimates a 5 million ton production crop this year (4,944,000 tons last year), India which estimates 2.1 million tons (2 million tons) and Brazil, which estimates 2.47 million tons (2.48 million).

WORLD WHEAT SITUATION

A recent survey of the world's wheat situation by the Australian Bureau of Agricultural Economics shows that the world is still being embarrassed by heavy over-production. It points out that notwithstanding substantial reductions in planted acreages both Canada and U.S.A. are harvesting extremely large crops, while production in other countries is also high. Surplus stocks have become a feature of the world wheat situation, in which exporting countries have been painfully learning to adapt themselves. The wheat crop in Australia has been officially estimated at 188.6 million bushels against 166.6 million bushels in 1954-55 or an increase of 11.9 per cent. According to the Bureau of Agricultural Economics prospects of an improvement in the world wheat situation in 1955-56 now seem more remote.

THE
**HIND
BANK
LTD.**

4, Brabourne Road, Calcutta-1.

FOR COMPLETE BANKING SERVICE

SUBSCRIBED CAPITAL . Rs. 1,00,00,000

PAID-UP CAPITAL Rs. 50,00,000

RESERVE FUND Rs. 26,00,000

Connections in all principal
centres of the world

Chairman General Manager
Mr. K. P. GOENKA Mr. S. D. PARDIWALLA

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

	Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrila.	Semi-ma- nufactured Articles	Manufac- tured Articles	Miscel- laneous	General Index	Govt. and Semi- Govt.	Deben- tures	Prefer- ence	V. D. I.
1947-48	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.8
1954-55	339.8	436.2	350.3	377.3	612.4	377.4	90.5	100.7	88.4	113.9
February 1955	304.3	436.2	339.5	376.8	558.5	361.4	90.6	100.7	88.2	114.2
March	297.0	412.8	333.5	376.3	553.3	353.7	90.6	100.7	87.4	115.1
April	283.6	398.6*	327.8	377.1*	541.2	345.4*	90.5	100.6	87.5	115.1
May	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9
June	281.8*	390.4	329.7*	370.0	567.4*	342.5*	90.8	100.6	87.5	113.2
July	309.7*	408.1*	329.6	370.9*	562.6*	355.6*	90.9	100.7	87.8	117.9
August	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.8	122.8
September	313.0	396.1	324.8*	368.8	556.3	353.2	91.0	100.7	87.2	124.5
October	315.7	403.7*	329.8	371.2	559.3	357.2*	91.0	101.0	87.7	129.9
November	326.5	418.9*	338.1	373.3	543.3*	365.6*	91.0	101.0	87.7	130.6
December	323.7*	438.3	346.6	373.0	544.2	368.4	91.0	101.0	87.7	130.2
Week Ending										
24-12-1955	325.3*	446.5	350.4	372.6	516.6*	370.9*	91.0	101.0	87.7	130.2
31-12-1955	327.4	454.7	351.4	373.6	547.5	373.4	91.1	101.1	87.6	128.9
7-1-1956	331.3	457.4*	351.9*	375.6	548.7	375.8	91.1	101.1	87.5	126.8
14-1-1956	333.8	455.2	352.4	375.8	538.4	376.1	91.1	101.1	87.3	126.8
21-1-1956	333.6	452.0	354.4	374.4	536.6	375.6	91.1	101.1	87.2	125.8

c Average of weeks.

*Revised

†Economic Adviser's Series.

††Reserve Bank Series.

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS
(August 1939=100)

Period	Bombay		Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100				Nagpur	Jubbulpur†				
1939 (Aug-Dec.)	103	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	134
1949	292	307	248	132	348	478	377	151	323	164	138
1950	298	313	257	132	349	434	372	153	325	165	138
1951	314	330	261	142	370	451	391	168	334	167	144
1952	321	337	250	143	351	441	380	150	330	151	141
1953	346	363	275	140	349	453	387	151	351	147	145
1954	342	359	244	138	327	408	373	139	341	148	138
1955 March	328	340	207	127	310	377	360	129	321	133	130
April	324	340	205	126	311	352	353	130	314	129	128
May	320	336	204	122	315	335	351	128	307	131	127
June	317	333	211	123	317	347	359	131	311	131	130
July	324	340	224	129	325	371	364	136	316	134	132
August	325	341	229	134	329	376	364	137	318	136	134
September	317	333	224	133	327	373	—	133	322	138	132
October	315	331	225	134	334	385	—	—	323	—	—
November	314	330	229	136	339	392	—	—	327	—	—
December	312	332	230	140	—	—	—	—	334	—	—
1956 January	—	—	—	—	—	—	—	—	334	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	4-2-1956			28-1-1956			21-1-1956			14-1-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	95- 9	94- 6	95- 0	96-14	94-15	96- 0	96- 1	95- 2	95- 9	95-10	94- 9	95- 3
Silver (per 100 fine tolas)	175- 1	172-10	174- 0	178- 4	174-14	176- 5	178- 1	176- 4	177- 5	176-13	175- 0	176- 2

RESERVE BANK OF INDIA ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b + c)	(b + c) as Percentage of (a)	Rupree Coin	Rupree Securities	Total Assets
1938-39*	182,36	28,28	210,64	44,42	86,95	111,37	52.91	67,11	32,16	210,64
1947-48*	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49*	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62	1,253,86
	(5,58)	(—)	(5,58)					(90)		(5,58)
1949-50*	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51*	1,163,21	17,19	1,180,40	40,02	624,70	664,72	56.31	57,21	458,47	1,180,40
1951-52*	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53*	1,114,84	27,87	1,142,72	40,02	564,40	604,42	52.89	80,22	458,08	1,142,72
1953-54*	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55*	1,197,05	22,98	1,219,17	40,02	648,90	688,91	56.47	102,25	428,61	1,360,17
Average of Fridays										
May 1955	1,324,71	15,14	1,339,85	40,02	681,98	722,00	52.39	104,14	533,71	1,339,85
June ..	1,324,56	17,97	1,342,53	40,02	652,04	692,06	51.65	104,33	543,65	1,342,53
July ..	1,306,93	29,34	1,336,28	40,02	646,04	686,06	51.34	105,87	543,65	1,336,28
August ..	1,299,00	26,50	1,325,50	40,02	633,29	673,31	50.79	108,24	543,69	1,325,50
September ..	1,290,78	23,49	1,314,27	40,02	668,82	708,84	53.93	110,51	494,93	1,314,27
October ..	1,303,25	10,97	1,314,22	40,02	632,07	672,09	51.09	110,95	531,18	1,314,22
November ..	1,327,06	14,27	1,341,33	40,02	642,08	682,10	50.85	109,38	549,84	1,341,33
December ..	1,350,04	10,13	1,360,17	40,02	662,98	703,00	50.95	108,56	548,61	1,360,17
Week Ending 30-12-1955	1,361,98	12,04	1,374,01	40,02	686,88	726,90	52.90	108,44	538,67	1,374,01
6-1-1956	1,385,71	11,60	1,397,36	40,02	691,91	731,93	52.38	106,83	558,55	1,397,36
13-1-1956	1,388,75	13,00	1,401,75	40,02	691,91	731,93	52.22	106,31	563,52	1,401,75
20-1-1956	1,382,71	19,11	1,401,83	40,02	667,07	707,09	50.44	106,39	588,36	1,401,83
27-1-1956	1,370,07	22,99	1,402,04	40,02	667,07	707,09	50.43	106,60	588,36	1,402,04

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS*	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14,90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	90
1947-48*	366,79	16,93	102,47	34,21	520,40	14,55	544,96	47,24	2,62	406,95	1,57	21	81,53	4,85
1948-49*	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
	(14,33)	(3,04)									(1)			
1949-50*	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	960,54	4,34
1950-51*	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2,37	6,77	76,72	5,06
1951-52*	181,39	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53*	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	13,83
1953-54*	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19,84	81,58	7,61
1954-55*	89,13	20,66	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	26,55	80,52	9,82
Average of Fridays														
February 1955	51,26	16,81	50,78	34,15	152,99	26,13	189,13	12,72	2,71	68,78	1,08	21,98	67,22	14,69
March ..	58,81	37,71	47,51	21,84	165,87	29,58	205,45	12,54	8,59	70,73	95	42,26	51,67	21,03
April ..	56,47	36,38	47,74	22,05	162,55	32,79	205,34	18,59	11,96	69,30	51	36,73	45,26	22,99
May ..	52,97	17,90	48,89	22,08	141,84	38,25	190,08	15,28	11,46	51,97	80	40,22	41,51	26,76
June ..	55,64	12,33	50,02	21,89	139,88	43,80	194,44	18,10	12,78	63,67	100	28,61	39,55	29,98
July ..	76,93	17,83	50,62	19,03	164,40	32,13	206,52	29,47	9,53	69,84	88	32,44	58,34	6,02
August ..	87,33	20,66	51,35	20,28	179,12	30,62	219,74	26,64	9,90	86,25	1,92	25,04	62,18	7,74
September ..	60,36	18,28	55,51	16,91	151,06	21,26	182,32	23,63	13,68	81,57	1,02	28,64	52,13	11,66
October ..	50,15	23,59	61,12	15,97	150,84	25,92	186,76	11,10	9,30	72,93	76	20,52	50,24	12,21
November ..	54,93	14,81	58,52	15,46	143,57	20,71	183,43	14,40	7,37	80,45	2,22	24,17	50,09	12,76
December ..	54,13	8,44	57,88	15,97	136,01	34,76	181,17	10,25	8,11	63,93	3,97	31,67	50,49	12,76
Week Ending 30-12 1955	50,95	10,62	57,87	15,81	138,31	36,13	184,45	12,16	12,07	48,30†	3,66	44,63	50,54	13,09
6-1-1956	54,01	9,73	51,79	15,62	131,24	38,09	179,33	11,71	11,83	43,40†	4,11	44,68	50,51	13,09
13-1-1956	54,11	8,46	55,06	15,83	131,47	51,14	182,61	13,12	13,70	43,96†	3,58	43,48	51,59	13,11
20-1-1956	52,11	13,38	67,51	21,41	152,60	55,06	207,66	19,26	6,89	72,55†	1,82	42,59	51,24	13,31
27-1-1956	54,02	18,47	65,24	17,10	154,83	40,82	205,65	23,12	4,92	67,05†	1,79	44,33	51,17	13,27

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Fund. *Average of Fridays. †Includes cash and short term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5 + 6) as percentage of (4)	Advances	Bills Discounted	(8 + 9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2 + 3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39*	123,81	103,30	227,11	6,38	15,88	9.80	111,34	460	51.05	..
1947-48*	706,65	343,89	1,050,54	39,92	100,81	13.40	427,64	16,82	42.30	..
1948-49*	674,56	303,88	978,44	37,51	76,63	11.67	424,85	16,44	45.10	..
1949-50	597,79	272,59	870,38	34,47	65,85	11.53	426,74	15,35	50.79	..
1950-51	599,13	278,45	877,59	34,68	60,78	10.88	447,03	11,87	52.29	..
1951-52	593,73	290,82	884,55	37,33	57,29	10.70	523,59	22,81	63.06	303,49
1952-53	546,23	309,26	855,49	33,33	51,82	9.95	461,64	38,47	60.48	306,34
1953-54	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	59.56	321,29
1954-55	559,62	351,86	911,48	32,68	53,91	9.50	468,39	84,66	62.08	339,74
Average of Fridays										
June 1955	596,14	394,62	990,75	34,71	49,13	8.46	501,44	114,19†	63.98	346,47
July ..	600,22	403,14	1,003,36	33,80	49,01	8.30	499,64	110,66†	62.73	362,67
August ..	605,00	409,09	1,014,08	34,15	49,19	8.22	495,96	110,80†	61.76	378,92
September ..	604,02	413,69	1,017,77	33,22	54,14	8.58	498,19	106,18†	61.15	381,86
October ..	612,82	422,95	1,035,77	33,98	59,64	9.04	484,87	105,51†	59.24	390,42
November ..	612,61	423,85	1,036,46	35,22	57,05	8.90	491,93	105,90†	59.79	393,43
December ..	613,68	422,24	1,035,92	38,93	58,38	9.39	503,02	107,60†	61.04	390,56
Week Ending										
16-12-1955	613,00	421,15	1,034,85	34,07	54,24	8.53	508,71	105,46†	61.03	391,93
23-12-1955	606,68	420,28	1,026,95	33,95	55,70	8.73	513,60	108,62†	61.76	387,93
30-12-1955	614,48	418,40	1,320,88	38,06	60,17	9.51	516,73	114,72†	62.15	385,05
6-1-1956	614,62	413,33	1,027,96	38,27	50,48	8.63	526,99	125,01†	64.24	382,93
13-1-1956	633,11	412,51	1,045,62	35,95	51,92	8.40	533,09	129,96†	64.33	381,92

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY

(Lakhs of rupees.)

Last Friday		Money supply	Total currency with the public	Deposit money with the public			Total variations in money supply
				Total	Demand liabilities of banks	Total deposits with Reserve Bank (excluding those of central Govt. & Banks)	
1		(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1952-53	..	1,784,55	1,199,25	585,30	548,95	36,35	-44,91
1953-54	..	1,856,57	1,229,43	627,14	549,83	77,30	+72,01
1954-55	..	1,980,90	1,311,77	669,13	599,18	69,97	+124,33
November 1954	..	1,807,86	1,188,45	619,40	591,39	28,01	+10,59
December	..	1,848,89	1,224,61	624,28	597,20	27,08	+41,03
January 1955	..	1,877,73	1,245,91	631,82	601,04	30,78	+28,84
February	..	1,915,34	1,272,35	643,00	610,04	32,96	+37,61
March	..	1,980,90	1,311,77	669,13	599,16	69,97	+65,56
April	..	2,003,14	1,342,90	660,23	614,26	45,98	+22,24
May	..	1,989,50	1,348,41	641,09	616,96	24,12	-13,64
June	..	1,988,42	1,343,74	644,67	623,43	21,24	-108
July	..	1,974,91	1,324,80	650,11	619,53	30,58	-12,51
August	..	1,995,61	1,314,74	680,88	632,86	48,02	+20,70
September	..	1,965,40	1,309,69	654,71	632,36	23,35	-25,17
October	..	2,008,48*	1,331,13*	677,36*	636,00*	41,35	+21,65*
November	..	2,014,17*	1,351,54*	683,23*	639,99*	23,24	+14,13*
December	..	2,054,70*	1,389,97*	664,73*	642,96*	21,77	+1,60*

INDIA'S TRADE WITH THE U. K.

I. PRINCIPAL EXPORTS

(Thousand £)

	Year 1954	November 1954 1955		11 Months Jan.-Nov. 1954 1955	
Total All Exports	148,595	18,822	13,600	125,377	143,653
Of which :-					
Tea	76,963	12,687	6,602	60,008	66,229
Leather, leather manufactures & dressed furs	13,271	996	1,065	11,869	11,734
Tobacco & tobacco manufactures	6,910	426	443	6,743	6,617
Hides, skins & fur skins, undressed	974	112	39	900	751
Wool & other animal hair and tops	5,567	618	634	4,956	4,456
Cotton	2,584	101	715	2,330	4,142
Miscellaneous textile fibres & waste	1,070	72	67	1,040	1,351
Metalliferous ores & metal scrap	3,081	305	126	2,854	2,227
Miscellaneous animal & vegetable crude materials	4,528	527	321	4,215	4,459
Animal & vegetable oils, fats, greases & derivatives	1,892	223	510	1,727	8,101
Cotton yarns & woven fabrics	6,855	440	721	6,184	6,667
Miscellaneous textile manufactures	16,444	1,318	740	14,952	13,548

II. PRINCIPAL IMPORTS

(Thousand £)

	Year 1954	November 1954 1955		11 Months Jan.-Nov. 1954 1955	
Total All Imports	114,907	6,293	11,405	104,448	118,385
Of which :					
Machinery other than electric	28,151	1,667	3,054	25,027	29,340
Electric machinery, apparatus & appliances	14,836	628	1,683	13,543	14,832
Wool & other animal hair and tops	4,929	135	342	4,491	4,483
Petroleum & petroleum products	4,610	123	75	4,548	1,635
Chemicals	15,152	977	1,239	13,538	14,644
Paper, paperboard & manufactures thereof	1,331	157	198	1,225	1,607
Iron and steel	5,891	350	1,010	5,337	7,693
Non-ferrous base metals	1,653	134	207	1,468	2,114
Manufactures of metals	5,080	201	466	4,672	6,336
Railway vehicles	3,052	118	142	2,900	3,259
Road vehicles & aircraft	9,363	414	868	8,434	9,262
Scientific instruments; photographic & optical goods; watches & clocks	2,239	127	291	1,937	2,747

III. INDIA'S IMPORTS OF MACHINERY FROM THE U. K.

(Thousand £)

	Year 1954	November 1954 1955		11 Months Jan.-Nov. 1954 1955	
Total Machinery	42,987	2,295	4,737	38,570	44,172
Of which :-					
Boiler & boiler-house plant	1,463	78	219	1,311	1,654
Internal combustion engines	1,883	147	184	1,886	1,663
Agricultural machinery	197	8	27	169	177
Agricultural & track-laying tractors	754	47	64	644	902
Machine tools (excluding portable power tools)	2,005	91	213	1,762	2,249
Pumps	744	56	94	673	756
Industrial & works trucks & tractors & mechanical handling equipment	1,612	113	146	1,406	1,404
Excavating & earth-moving machinery & road rollers	650	76	132	580	1,253
Mining & well drilling machinery	481	31	42	429	374
Printing & bookbinding machinery & printing type	573	73	97	530	605
Textile machinery	6,863	360	708	6,227	6,428
Air-conditioning & refrigerating machinery	252	18	29	233	253
Generating sets, generators & motors	2,233	63	275	1,961	2,082
Converting machinery, transformers, switch gear & switchboards	4,023	130	282	3,669	3,673
Electronic valves, & radio, television, radar & sound reproducing apparatus	1,544	89	291	1,479	1,832
Telegraph & telephone equipment & line apparatus	1,420	60	49	1,368	627
Electric cables, wires, strips & strands, insulated	2,705	123	422	2,499	3,456

Source :—Trade and Navigation Accounts of the U.K. (H.M.S.O.)

SEA AND AIR-BORNE TRADE OF INDIA

Composition of Trade

(In thousand rupees)

	Imports		Exports (including re-exports)	
	April-September 1954	1955	April-September 1954	1955
I. Food, Drink & Tobacco:—				
Fish (excluding canned fish)	6,07	7,60	1,85,01	1,42,88
Fruits and Vegetables	2,92,94	2,66,07	6,43,32	7,88,85
Grain, Pulse and Flour	23,35,33	13,96,62	18,74	5,22,00
Liquors	70,22	74,30	4,59	3,56
Provisions and Oilman's Stores	3,74,27	5,73,12	1,21,87	1,60,17
Spices	1,65,65	3,08,38	5,83,67	3,93,76
Sugar	8,23,37	2,55,12	3,82	52,32
Tea	9	7,12	51,06,30	44,43,00
Other Food and Drink	78	44	5,06,08	1,14,68
Tobacco	42,94	1,08,62	7,02,93	6,12,03
TOTAL CLASS I	41,11,95	29,97,40	78,81,33	72,33,23
II. Raw Materials and Un-manufactured Articles:—				
Coal and Coke	..	..	2,15,72	1,23,17
Other Non-Metallic Mining Products	2,86,62	3,93,82	4,12,32	5,14,85
Fodder, Bran and Pollards	1,77	25	21,22	1,20,09
Gums, Resins and Lac	40,84	74,12	4,98,33	7,00,61
Hides and Skins, raw	19,32	33,32	3,54,71	2,84,71
Metallic Ores and Scrap Iron	20,04	18,48	10,06,61	8,65,19
Oils of all kinds	52,28,23	29,79,62	4,29,76	20,33,44
Oil Cakes of all Kinds	..	..	2,18	3,18,44
Paper-making materials	98,74	1,07,27	11,43	73,27
Rubber, raw or Crude	61,90	1,40,13	..	..
Seeds (including nuts for oils)	3,42,15	3,53,98	1,14,79	2,18,75
Tallow, Stearine and Wax	63,68	30,01	3,65	5,33
Cotton, raw and waste	34,05,55	29,48,82	6,56,65	18,04,31
Jute, raw	1,58	1,51	..	..
Silk, raw and cocoons	30,29	38,87	3,49	11,03
Wool, raw and tops	4,58,17	4,81,82	5,29,35	4,37,03
Other Textile Materials	2,97,07	52,82	64,66	76,63
Wood and Timber	94,14	1,14,53	43,88	60,97
Miscellaneous	1,26,71	2,12,20	4,02,07	4,19,40
TOTAL CLASS II	105,76,81	79,81,58	47,70,84	80,66,62
III. Articles wholly or mainly manufactured:—				
Apparel	17,91	28,46	1,32,56	1,22,54
Arms, Ammunition & Military Stores	1,18,82	1,15,53	1,25	1
Chemicals, Drugs and Medicines	15,47,96	17,12,99	2,55,42	1,88,24
Cutlery, Hardware, etc.	8,06,87	11,22,40	1,26,81	1,82,43
Dyes and Colours	9,87,77	8,02,52	29,75	34,15
Electrical goods and apparatus other than Machinery	5,19,68	6,79,83	20,91	25,96
Furniture, Cabinetwork, etc.	19,79	13,14	20,29	16,98
Glassware and Earthenware	79,40	96,59	11,24	10,48
Hides and Skins, tanned or dressed and Leather	18,35	10,55	9,42,77	10,77,71
Machinery of all kinds	40,74,37	51,41,03	48,68	54,89
Metals-Iron and Steel and manufactures	13,65,52	23,05,74	29,41	65,27
Metals, other than Iron and Steel and manufactures thereof	12,60,32	11,24,64	59,86	75,29
Paper, pasteboard and stationery	6,30,02	7,18,14	43,89	36,64
Rubber manufactures	25,67	29,38	66,43	42,73
Vehicles excluding locomotives	15,99,15	22,75,52	61,28	1,07,29
Cotton yarns and manufactures	1,13,91	1,64,26	32,11,57	31,89,77
Jute yarns and manufactures	24	16	62,76,26	68,96,24
Silk yarns and manufactures	8,75	1,39	7,40	13,33
Woollen yarns and manufactures	1,34,18	1,39,17	2,08,85	2,17,89
Other yarns and textiles fabrics	6,48,15	8,63,90	1,91,36	1,86,32
Miscellaneous	5,21,71	6,99,05	8,12,08	8,74,75
TOTAL CLASS III	144,98,54	180,44,38	125,58,08	134,18,93
IV. Living Animals	3,63	3,46	24,13	36,54
V. Postal Articles and Baggage not Specified	1,44,18	1,13,80	1,98,12	1,84,28
GRAND TOTAL	293,34,80	291,40,61	254,32,50	289,39,53

JUTE STATISTICS

JUTE CROP FORECASTS (Government of India & East Bengal)					SUPPLY AND DISTRIBUTION OF JUTE 1954-55 & 1955-56		
	Prelim. Area (000) acres	Final Forecast			Supply	1954-55 lakh bales	1955-56 lakh bales
		Area (000 acres)	Crop (000 bales)	Bales per acre			
1952-53 Total	35.16	37.24	114.28	3.07	OPENING STOCKS—		
East Bengal	17.59	19.07	68.23	3.58	I. J. M. A. Mills godown stocks	10.89	8.66
West Bengal	7.52	8.44	24.21	2.87	a. West Bengal Mills		
Rest of India	10.05	9.73	21.84	2.24	b. Mills outside West Bengal	0.43	0.41
					(estimate)	7.10R	2.60
1953-54 Total	20.58	19.56	56.32	2.88	Indian Carry Forward (estimate)	16.90R	5.10
East Bengal	7.89	7.60	25.08	3.29	Pakistan Carry Forward		
West Bengal	5.84	5.50	15.36	2.70	(estimate)		
Rest of India	6.85	6.46	15.93	2.46			
						35.32	16.77
1954-55 Total	26.38	24.86	75.90	3.05	Indian Union Jute crop		
East Bengal	13.04	12.43	46.62	3.75	(trade estimate)	42.40R	50.50
West Bengal	5.84	5.70	15.42	2.71	Pakistan crop (Trade estimate)		
Rest of India	7.50	6.73	13.86	2.06	Indian Union Mesta crop	47.40R	72.50
					(trade estimate)		
1955-56 Total	30.59	32.16	97.29	3.03	Total Supply	125.12	139.77
East Bengal	17.16	16.35	55.92	3.42	DISTRIBUTION :-		
West Bengal	6.34	8.00	20.16	2.51	Mill Consumption :-		
Rest of India	7.07	7.81	21.31	2.73	1. I. J. M. A. Mills (estimate)	58.63	61.55
					2. Outside Mills (estimate)	2.13R	2.23
						60.76	63.78
					Indian Domestic Consumption		
					(estimate)	2.10R	2.00
					Pakistan Exports Overseas		
					(estimate)	39.08	40.00
					Pakistan Domestic Consumption		
					(estimate)	6.90R	7.00
					Total Distribution	108.84	112.78
					Carry over at end of season	16.28	26.99

PRODUCTION OF GUNNIES

('000 Tons)

Year and Month	Hessian	Sacking	Total
July-June	..	..	..
1952-53	3,47.7	5,10.4	8,58.1
1953-54	3,90.4	4,44.8	8,35.2
1954-55	3,99.2	5,56.8	9,56.0
1955 May	32.2	46.2	81.7
June	34.2	47.9	85.7
July	34.3	45.0	81.1
August	33.2	43.7	81.4
September	35.4	47.2	87.4
October	30.7	43.5	78.8
November	34.6	49.9	90.5
July-Nov. '55	1,68.2	2,29.3	4,92.2
July-Nov. '54	1,63.5	2,24.3	4,01.8

(R) Revised.

WEEKLY PRICES OF JUTE AND GUNNIES AT CALCUTTA

DATE			JUTE						GUNNIES							
			Assam		Pak. Jute		First Marks for mill (Indian)	Hessian 40"10 oz. (Ready)	Sackings B. Twill (Ready)							
			Middle	Bottom	Middle	Bottom										
										Rs. per md.	Rs. per md.	Rs. per bale	Rs. per 100 yds.	Rs. per 100 bags		
1954			Rs.	A.	Rs.	A.	Rs.	A.	Rs.	A.	Rs.	A.				
1st November	..	..	30	0	27	0	34	0	30	0	175	0	45	9	117	8
8th "	..	..	31	8	28	8	35	8	31	8	180	0	46	4	120	10
15th "	..	..	31	0	28	0	35	8	31	8	185	6	46	0	120	8
22nd "	..	..	32	0	29	0	36	0	32	0	195	0	45	9	124	10
29th "	..	..	34	0	31	0	37	0	33	0	200	0	45	8	128	0
1955																
1st August	..	..	29	8	26	8	31	8	27	8	180	—	40	12	108	0
8th "	..	..	30	0	27	0	31	8	28	8	180	0	42	15	113	0
16th "	..	..	30	8	27	8	32	0	29	0	180	0	41	14	113	0
22nd "	..	..	30	0	27	0	31	8	28	8	175	0	41	8	111	8
30th "	..	..	27	8	24	8	28	8	25	8	165	0	39	12	106	0
5th September	..	..	27	0	24	0	29	0	26	0	165	0	39	2	104	0
12th "	..	..	28	0	25	0	30	0	27	0	170	0	39	8	108	8
20th "	..	..	27	8	24	8	30	0	27	0	175	0	38	12	105	12
26th "	..	..	27	0	24	0	29	0	26	0	170	0	38	14	106	4
3rd October	..	..	27	4	24	0	29	0	26	0	165	0	38	0	103	4
10th "	..	..	27	0	24	0	29	8	26	8	165	0	38	0	103	8
17th "	..	..	28	0	25	0	29	8	26	8	170	0	38	6	108	2
27th "	..	..	28	8	25	8	30	0	27	0	175	0	38	13	108	0
1st November	..	..	29	8	26	8	31	0	28	0	185	0	39	12	112	12
7th "	..	..	31	0	28	0	32	0	29	0	190	0	40	10	117	8
14th "	..	..	31	0	28	0	32	0	29	0	185	0	40	7	117	8
21st "	..	..	30	8	27	8	32	0	29	0	185	0	41	0	118	4
28th "	..	..	30	0	27	0	31	8	28	8	180	0	41	5	116	8

Fly TWA Now

and Save

Before fares
go up
on
MARCH 1st

Fly the Finest...

FLY TWA

TRANS WORLD AIRLINES
ASIA • AFRICA • EUROPE • U.S.A.

Saha & Rai Travels Ltd., Hotel Ambassador New Delhi. Reservation & Booking—Phone 45121/7.

THE RAMAYANA

OF TULSIDAS IN ENGLISH VERSE

LATEST "HINDUSTAN TIMES" PUBLICATION

The famous Hindi epic regarded by many as "the greatest book in all devotional literature" is for the first time now available in English verse.

The translator, the Rev. A. G. Atkins, completed the book after ten years of devoted work. He has tried "to keep and express in English in the fine rhythm and music of the original in simple lucid language, and with as much of the vivacity, wittiness and picturesqueness that Tulsidas has put into his work." He has also followed in some measure Tulsidas's metrical variations such as chhand, chaupal, doha and soratha.

In a foreword Mr C. Rajagopalachari says: "Mr Atkins' monumental work and his Introduction are a revelation of hope for those who desire to see all the great religions of mankind come together. . . . His service is not only to English-speaking people but also to that very large number of Hindus in India who do not speak the Hindi language and to whom English has become a very familiar medium."

The book is of special value to libraries, scholars and devotees of Tulsidas.

It has been issued in the following four editions:

- I. Original text of Tulsidas with translation in English verse; three volumes; 1468 pages; price Rs. 50 net.
- II. Translation in English verse; without Hindi text, two volume; 898 pages; price Rs. 40 net.
- III. Special tissue paper edition of I, one volume, price Rs. 100 net.
- IV. Special tissue paper edition of II, one volume, price Rs. 100 net.

POSTAGE EXTRA

The Manager,

THE HINDUSTAN TIMES,

NEW DELHI.

ATUL

DYES CHEMICALS PHARMACEUTICALS



THE ATUL PRODUCTS LIMITED

ATUL, via BULSHI, Western Railway

The Eastern Economist

VOL. XXVI NO. 7.

NEW DELHI: FEBRUARY 17, 1956.

ONE RUPEE.

CONTENTS

	Page		Page
Leading Articles:		Special Articles:	
AFTER THE BAGHDAD PACT	233	FROM WEALTH TO CAPITAL CO-EFFICIENTS—IV By Colin Clark ..	251
SUGAR-COATING OFF THE SOCIALIST PILL?	235	INDIA'S ADMINISTRATIVE PROBLEM: II—THE PUBLIC SECTOR. By Sardar K. M. Panikkar ..	252
WORKERS AND MANAGEMENT	236	LETTERS TO THE EDITOR	255
WEEK'S NOTES	239	The Business World:	
Amritsar's Call for Unity; Malaya Gains Freedom Road; Indonesia Severs Dutch Ties; East-West Trade; Company Administration.		The Rationale of Textile Targets	257
A WINDOW ON THE WORLD:		BUSINESS NOTES	259
Odysseus on "The Economics of Socialism" ..	241	Higher Export Quota for Tea; Indo-Burma Textile Trade; American Consultants for Indian Railways; Trade Deficit Widens; Tobacco Export; Ban on Mushroom Jute Units.	
ECONOMIC REPORT FROM THE US:		COMPANY AFFAIRS	263
Trade With the Soviet Bloc	245	COMMODITY NEWS AND NOTES	265
WORLDGRAM AND NEWS IN BRIEF	247	CURRENT STATISTICS	266

After the Baghdad Pact

THE ominous rumblings heard this week at the conclusion of the Baghdad Pact reflect a new and deeply disturbing factor in India's international relations, which calls, both at home and abroad, for much greater comment than it has yet received. The fact that the Prime Minister described the Baghdad Pact "as worse than the SEADO Pact" is significant; that is believed to express the highest criticism of India's External Affairs Ministry. Three statements made in the week, first, one on All-India Radio by Mr. V. K. Krishna Menon who now as a Cabinet Minister carries new weight, secondly, one by the Congress President at Amritsar and, finally, unambiguous utterances by the Prime Minister, indicate that Indo-British relations are encountering a spell of very heavy weather. It is true—however much one might regret the fact—that the conclusion of the Baghdad Pact sponsored by Great Britain has endangered Indo-British relations; but it is not only Indo-British relations which are involved. Indian foreign policy itself may well be at a dangerous turning point.

It is important to consider the circumstances under which Indian resentment has thus been raised and to attempt to analyse it with objectivity. It

is sometimes quite difficult from official pronouncements to explain why a general theory that all military alliances are bad should be applied specifically to the military alliances of the Free World while the military alliances of the Communist World—the Sino-Russian Military Pact and the Warsaw Pact—seem to get nimbly away. It is true it is seldom remembered by Indian audiences that the Sino-Russian Military Pact preceded all the Free World pacts and that NATO itself was drawn together only to resist Soviet overlordship in Europe. There are, however, few Indians who will now deny that it was the formation of NATO which held Russian power in Europe. Only those who wish to fly flatly in the face of facts say that particularly military pact has no function of any kind. Why is all this of no consequence in tempering the criticism of Free World pacts which is now rising to a head?

Unhappily, official utterances do much to obscure the picture. It is obvious that, notwithstanding official pronouncements, the current resentment against the Baghdad Pact is different, both in degree and kind, from the academic objection to military alliances in general. For many years NATO was accepted with equanimity and even

with a certain amount of approbation. It is clear—at least to those who can separate theory from practice—that Indian resentment is based primarily on the association of Pakistan with military pacts in the area surrounding the Indian sub-continent, under circumstances which certainly increase the military capacity of Pakistan to endanger the security of the Indian Union. It is Pakistan's participation in a military alliance which is central; not the military alliance in itself.

A general essay on the purpose of military alliances is, therefore, not what is required at the present time. Nevertheless in order to set official theory in its proper position two major questions need to be argued by scholars both in the Free World and in Communist countries. To the Indian argument that all military alliances are redundant and provocative, there is a historical case to be set out in terms of the effectiveness of many alliances which have in fact over many years prevented aggression and, in some cases, made possible the defeat of the aggressor. It is surely nobody's case that no military alliances have performed any useful function either in the defence of peace even for a limited period or in the defence of liberty by the defeat of tyrants to make possible victories of popular governments. If it is the contention of India's External Affairs Ministry that no military alliances have ever served either peace or liberty, its Historical Records Division will need to document this assertion with far more material than has been at the present produced. There is no reading of history which suggests that all military alliances have at all times been redundant or have become instruments of aggressive war.

The second proposition which is also in need of documentation is the extent to which India's belief that military alliances are redundant for herself is the outcome of a particularly favourable position in the balance of power elsewhere in the world. If, indeed, it is a fact that a minor military power cannot protect itself against a major power without an alliance, may it not be that where this doctrine does not apply it is because a danger of aggression is absent or collective security can be applied under the Charter of the United Nations? The real difficulty in the latter case is that the Security Council prevents the operation of defence through the Security Council when one of the Big Four with a veto is an aggressor. India enjoys a position of remarkable freedom from the threat of Big-Power aggression because neither the United States nor the USSR has any reason for committing an act of aggression on the Indian Union. Is it equally clear that neither party has an interest in committing aggression elsewhere, which a regional defence arrangement can restrain?

This is a major issue of principle. The Indian Union takes the stand that countries in the Middle East as well as in South-East Asia enjoy India's position. Whether or not, however, the Indian view is correct on this point, the fact remains that other countries, notably Pakistan, do take a different view. India does not deny Pakistan this theoretical right as a sovereign State to make a decision different from hers. But she believes her security involved in this decision. It is almost certain that Indian concern about SEATO and the Baghdad Pact arises primarily from the fact that Pakistan, in the process of participation in these pacts, is substantially benefited in military terms.

This, and no other, is the prime justification for India's major questioning of military alliance

in the Asian scene. The character of Middle East defence is entirely subsidiary to the pressure on Indian security. Any act of a foreign Power which assists Pakistan's capacity for aggression must have both political and economic consequences in India. Politically—particularly while Kashmir remains unresolved—the Indian people will demand that the Defence Budget of the Indian Union shall always be raised in proportion to every addition to Pakistan's military resources. Economically, since every addition to our Defence Budget demands the use for non-productive purposes of valuable foreign exchange, there is an injury done *pro tanto* to India's second Five-Year Plan. It is no argument to say that India can receive military aid from the Free World equal to that which Pakistan receives at the present time or in any future contingency. The overwhelming majority of the Indian people refuse absolutely to receive military aid merely as a gift to offset Pakistan's potential military power. It is widely believed that the acceptance of such a gift would involve a change in Indian foreign policy; so, indeed, unless one is absolutely blind, one should admit at once.

Too often it is assumed that the substance of India's objection to military alliances is ideological and even a little romantic, in the romantic character of the Gandhian Age. The case of India's objection to military alliances is, however, not ideological, but deeply mundane. The facts are—and the Kashmir war of 1947 and 1948 is proof of the danger—that Pakistan can wage war on the Indian Union and has, while Kashmir lasts, an interest in doing so; for the Free World to argue that arms in Pakistan's hands are necessarily defensive is to argue in terms as idealistic as those which belonged to our Gandhian Age.

The truth is that Indian policy is consistent not on the plane of ideology—on which it might be complained that Free World departure from our 'ideology' receives far less tolerance than do the Communists—but on the hard fact that India's security is always endangered by additional resources in Pakistan's hands. Since India is quite unwilling to receive these additional resources in military form, the answer is for the Free World to undertake the provision of economic aid, either by grant or by loan, so that any additional pressure on our balance of payments arising from additional defence expenditure is met at once by the necessary relief under economic heads. If prompt action is not taken on lines such as these the deterioration of India's relations with the Free World will continue, fast or slow as external circumstances may decree, but largely in terms of the substance of military assistance given to Pakistan.

It cannot require much imagination to see that the logical conclusion of indefinite military assistance to Pakistan without corresponding economic aid to India must involve a pressure on Indian public opinion to receive arms from the Communist countries. This will, it is true, be a terrible denial of India's foreign policy. But there are many in India who think that, if the Free World should take no account of Indian resentment on military assistance to Pakistan, it will be a necessary step to safeguard India's security. It is vital that we, as well as our friends in the Free World, should take account of the deep dangers that loom ahead. The Free World must understand; but we, too, need to think. Pique cannot make policy. National security can never be safeguarded by surrendering ourselves to the tender mercies of the totalitarian world.

Sugar-coating off the Socialist Pill?

THE President's Address to Parliament and the economic policy resolution at the Amritsar Session of the Indian National Congress have drawn pointed attention to a change that has been made in the definition of our national objective as the establishment of the 'socialist' pattern of society. At Amritsar, Mr. Jagjivan Ram specially referred to the change as a significant indication of the new outlook on Congress economic policy; but the precise significance of the change has been left only to be inferred. The consistency with which the word "socialistic" was used in earlier discussions, since the Prime Minister set the slogan for the country, and the close adherence to the changed form of the 'socialist' pattern in the Draft Plan and the President's Address, shows, however, that this is not indeed a difference between tweedledum and tweedledee. In the English language, the two adjectives have been regarded as almost synonymous, with the difference that "socialistic" was hardly ever in common use in socialist literature. This may explain why many British Left-wing intellectuals and economists have made somewhat cynical references to India's "socialistic pattern", almost suspecting it to be a camouflage for a milk-and-water socialism different from their own brand. Despite the many dilemmas of British socialism, which is itself very diluted today, they seem to have little regard for the Indian variety. Their sneers have apparently had some effect.

If the change was regarded necessary merely in order to be felicitous in language, the importance now attached in some quarters to the new form would be without substance. The "socialistic" pattern had the approval of Parliament and of the Avadi Congress, but the Socialist pattern accepted now by the President and the Amritsar Congress, has been introduced in a rather casual manner. "There are at present no authoritative teachers of socialism", said Bernard Shaw in 1889; and the same may be said of Indian socialism today. The authorised exponents prefer to remain vague and he would be a rash person who ventures to speak on their behalf. The Draft Outline of the second Five-Year Plan only vouchsafes the following assurance to us: "The socialist pattern of society is not to be regarded as some fixed or rigid pattern. It is not rooted in any doctrine or dogma. Each country has to develop according to its own genius and traditions. Economic and social policy has to be shaped from time to time in the light of historical circumstances."

Hitherto, the deliberate preference for the words "socialistic" and "pattern" were understood as implying a pragmatic approach to the realisation of the Constitutional objectives of equality, social justice and welfare. Clouds of doubt may now form themselves around these conceptions, especially when a change is effected so soon after positive content was put into a particular form of usage. It may still be held that the preference of the term "socialist pattern", instead of plain "socialism" as such, is proof of a desire to avoid a dogmatic approach (if indeed there is a recognisable socialist dogma applicable to a democracy.) In Britain, socialism has come to be regarded as not identifiable either with nationalisation or with the steady encroachment of the public sector over the private. But here, even within a year of the promulgation of the objective

of a "socialistic" pattern, the pace of advance, achieved through the Constitutional Fourth Amendment, Company Law and the nationalisation of the Imperial Bank and Insurance, has appeared very much forced. If even these are regarded as merely "socialistic", the "socialist" approach may indicate a more drastic attitude to institutional change than has hitherto been visualised.

There are definite signs that a radical twist has been given to the socialist doctrine, which denies the consolation of the possibility of a pragmatic approach, available till now. The content of the new policy remains in uncertainty. Unlike in Britain, the Congress Party manifesto will not reveal clear-cut programmes but assume only general objectives, which can always be claimed as giving a mandate to particular policies. It is, therefore, premature to expect that our democratic process will help to define the details of socialist policy; and in a situation where the choice at the polls is becoming restricted to the Left and the extreme Left, there is little likelihood of the emergence of any moderating influences except those which are self-imposed by those who will determine the course of socialist policy. It was unthinkable that in Britain insurance nationalisation would have been announced with a bang, through an ordinance. It is unthinkable here, at least for a considerable time, that a reversal, as on steel nationalisation in Britain, could be effected through the ballot-box.

These are the considerations which make words like genius, traditions and historical circumstance seem of dubious value as limiting factors to a doctrinaire approach. Their definition would elude public discussion; but the issues would be eventually clinched only by those exercising authority through a general mandate for administering the country. The truth is that there are no checks in the short period of the kind that were available in other systems where democratic socialism has been tried. The method of gradualism in Britain, advocated by the Fabian socialists, has gained in the end over the more radical interpretations, mainly because of the time that was available to test the applicability of doctrines to changing social conditions. Where that time element is not available, the costs of a trial and error policy will have to be incurred.

There are slogans in the air about redistributive policies. There has been an emphatic insistence on the primacy of the public sector, through control, nationalisation and development of basic industry. All these have been possible even without the dose of radicalism indicated by the distinction made in the re-phrasing of the objective as "socialist". It is naive to believe that the abolition of privilege will result from the institutional changes contemplated or through the concentration of greater power in the State. These methods only transfer privilege from one group to others which are less exposed to scrutiny because they have ceased to be regarded as private, even though acquiring a vested interest which is not less powerful because it is public. That has been the lesson of democratic socialism elsewhere, where it could operate under more fierce criticism than is here possible. The genius or the traditions of this country cannot help to achieve substantially different results.

Workers and Management

IN the new mood of radical institutional change contemplated under the socialist pattern of society, greater significance is likely to be attached to the Prime Minister's reference to the need for providing an effective share to labour in the running of industries. Addressing INTUC workers at Shaheed Nagar, Mr. Nehru said that workers should have an effective voice in the working of a mill or factory and that experiments will be made with three or four methods of associating labour with management. This is not a new doctrine; many democratic countries have experimented with both voluntary and statutory schemes of consultation and workers' participation. The Draft second Five-Year Plan has also assumed that for the successful implementation of the Plan increased association of labour through councils of management is desirable. It has also been reported that the INTUC has favoured workers' association, provided their participation was "real and willing" and employees are supplied information on all matters. Opinion within labour is, however, still divided, as it has been in many countries, on the value of full participation in management functions, but it seems that some important steps are indicated in the present phase of our economic and social policies.

As part of the movement towards greater democracy, workers' participation in industrial management has been widely recognised as essential. In theory, there has been much in favour of giving interest to the worker in his job, in raising his self-respect and status and in providing him opportunities to contribute his experience and knowledge to improving methods of production. The fact that Communist systems deny this privilege to workers and fix the responsibility entirely on managers is itself proof to the worker of his better status under democracy where he can hope to have a voice in the running of an enterprise. This privilege must not remain a dream.

In actual working, however, the existing systems of participation have presented workers and trade unions with a dilemma. The British trade unions, which are jealous of their independence from both Government and private industry, have consistently been opposed to direct participation in management while favouring joint consultation. They have felt that the integrity of the trade unions would be at stake when trade union leaders sitting on management boards become divided between their loyalty to the enterprise, on the one hand, and the interest of the union members, on the other.

The foremost condition of effective co-operation is the existence of strong trade unions recognised by the employer and keeping good faith in implementing agreements reached by negotiation. In this respect, the conditions in India, where three different central unions compete for the loyalty of the worker, are far from ripe for workers' participation. This division of loyalty may not be felt on a large number of problems relating to the day-to-day running of a factory such as the introduction of health, safety and recreational measures. Even on questions of production, it is possible that there will be marginal gains, though the extent to which workers are qualified for or are interested in improving technical functions, is an unknown factor. Even in the advanced countries workers have not shown keen interest

in the business and economic aspects of enterprises; but indifference or lack of interest may be a lesser evil than a positive role of irresponsibility which is possible when union leadership is sharply divided according to their respective political affiliations.

Here in India the most recent instance of an attempt to experiment on new lines was seen in the agreement reached at Jamshedpur by the Tata Steel Workers' Union with the management. It was possible because the management trusted the union leadership and the union offered evidence of a genuine interest in improving productivity even through rationalisation. But it is not possible to foresee similar conditions prevailing in many other industries. Perhaps, the growing public sector may be able to set a better example of management-worker relations. This is wholly desirable. The Draft Plan is specific on the point that the management of a public undertaking should not seek exemption from laws or ask for concessions not available to the private sector. This statement might help to prevent the casuistic argument that, because an industry is controlled by the State, the interests of the workers are automatically safeguarded.

But over the rest of the private sector it is necessary that new complications should not be introduced lightly without regard to the possibilities of discord in the exercise of managerial functions. Part of the responsibility for the failure to develop vigorous trade unionism in this country must be shared by the Government, which has preferred the easier and more popular path of regulating industrial relations by a process of litigation and adjudication rather than by free collective bargaining. This system has created a situation in which the interests of the two parties are regarded as essentially divergent and not common. It is not easy to make a change in these attitudes developed over the years, however desirable the change may be. The operation of the system of works committees has not hitherto disclosed any significant interest on the part of the rank and file of labour in the production functions of a factory. Without its intelligent interest, representation on management boards is likely only to degenerate into a perpetual wrangle. The reasons which prevented, for example, provision being made for representation of minority shareholders on company directorates would apply also to a situation in which labour provides the discordant factor.

The real danger is not in promotion of workers' participation as such through voluntary action wherever possible, but in forcing the pace through legislation. Here again, foreign experience has important lessons to teach us. Even though there is statutory provision in Germany for workers' participation, the trade unions act with the conviction that co-determination on the basis of equality should still leave the free enterprise system fully competitive. In France, the law compels the employer to consult workers' committees and to provide information asked for; but he is given authority to disregard advice. The Yugoslavian model, which has lately come into prominence in this country, approximates to the British system of joint consultation rather than to workers' participation. On the whole, both the voluntary and the statutory systems of consultation have recognised the limits within which participation of labour in management is possible

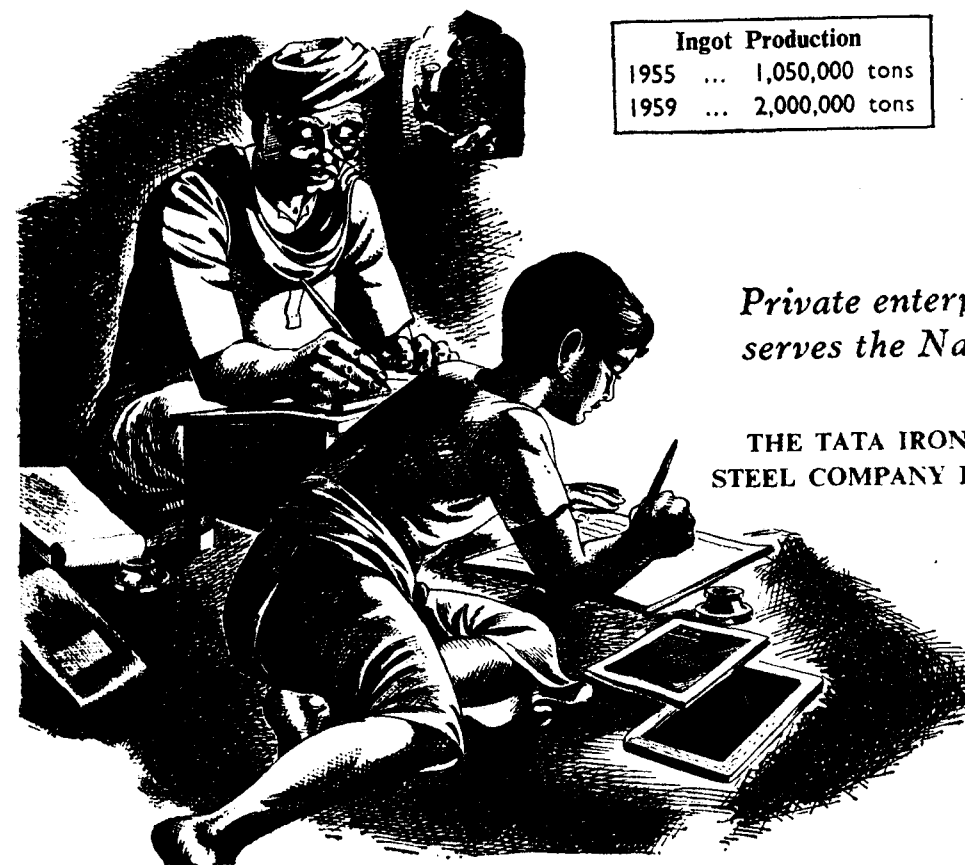
Where do you begin to spell prosperity?

We talk about Progress and Prosperity. Yet, how many of our countrymen could even read these words? Four out of five are illiterate. They must be educated, made to understand the country's problems, and so help to solve them.

Mass education needs more paper. Our Paper Industry is ready to meet this challenge. Thirty-two paper mills in India produce 158,000 tons of paper annually. The target for 1956 is 287,000 tons involving an

expenditure of Rs. 50 million. In our developing economy steel is essential. That is why the Tata Iron & Steel Company has launched an expansion programme which will raise its capacity.

Ingot Production		
1955 ...	1,050,000 tons	
1959 ...	2,000,000 tons	

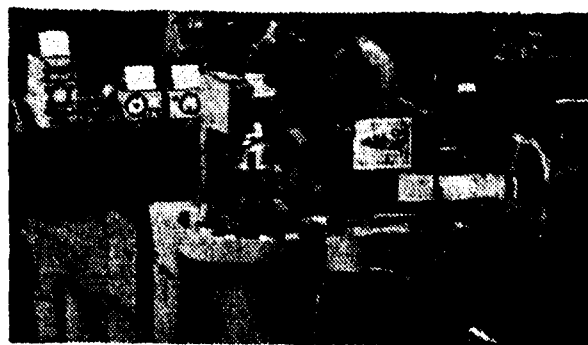


Private enterprise serves the Nation

THE TATA IRON AND STEEL COMPANY LIMITED

an invitation to industrialists...

India is on the threshold of a period of tremendous industrial growth and expansion. Those who have faith and courage in the future and who are prepared to join the mighty adventure of rebuilding the nation will find much at Hannover - methods, materials and machines - that can help hasten her to prosperity.



No less than 4000 European and overseas manufacturers will show their latest technical advances and up-to-date production methods at the German Industries Fair 1956.

Groups exhibited: Mechanical Engineering, Electrical Engineering, Chemistry, Rubber, Precision Mechanics and Optics, Iron and Steel, Tools, Office Equipment, China, Ceramics, Glass, Jewellery, Silverware, Cutlery, Clocks and Watches.

Nearly 80% of German exports to India are produced by the groups participating in the Fair.

visit



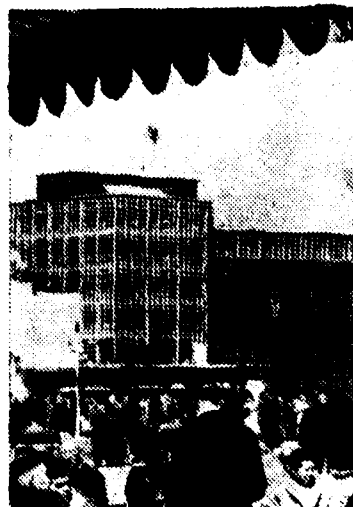
German

Heavy and Light Industries

For full particulars & entrance tickets write to the Official Representatives of the Fair

AJANTA ADVERTISING

Lakshmi Building, Sir Phirozeshah Mehta Road, Bombay 1.



29th April
to 8th May
1956



INTERNATIONAL PARTICIPATION

Industries Fair • Hannover

THE WEEK'S NOTES

AMRITSAR'S CALL FOR UNITY

THE AMRITSAR Congress session has, for all appearances, carried a stage further the move for the formation of bigger units. It was inevitable that the question of States reorganisation should have dominated the deliberations. In commending the formation of bilingual units as a means of "healing the wounds", the session was showing one of the possible ways out of the ugly situation into which the country had got itself by too much emphasis on the linguistic principle but it is not always possible to reverse the forces in operation by mere exhortation. Mr. Nehru aptly remarked that the wind of linguistic discord had been sown and the nation was reaping the whirlwind. It would be wrong, however, to interpret the excesses committed in Bombay and Orissa as a threat to Indian unity, though they were out of all proportion to the resentment caused by the award on Bombay city.

At Amritsar, Congress leaders who had come from all corners of India laid stress on the need to build up the country's unity. Not a single discordant note was struck, though there were individual assertions of the need to carry the logic of the linguistic principle to its conclusion if that is made the basis of reorganising the units. Beneath the basic unity of India are many factors which contribute to linguistic fanaticism, provincialism and even casteism. The Congress in its post-independence career has not only failed to counter any of these dividing forces but has neglected and even occasionally utilised them for the realisation of immediate party ends. Were the attitude of many of the leading Congressmen ultimately untainted by parochial and personal considerations, the response to the proposal for bigger States should have been spontaneous and much more enthusiastic than what it has been. But there would be no gain if there is enforced acceptance of the multilingual idea in any area; it is necessary to avoid driving the causes of tension below a surface of apparent unity as discord may erupt later on other pretexts.

The bilingual idea has travelled far since it was originally mooted, but it is a matter for regret that it has not made headway in precisely those areas where its acceptance is most urgent and desirable. Bombay will cease to be a problem if the Maharashtrians and Gujaratis can agree on a bigger State comprising all Marathi and Gujarati-speaking areas. In the Punjab the acceptance of bilingualism, under some formula to allay the fears of the Sikh community, is imperative if this strategic border State is not to be riven by differences, whether united or divided. That both the Akali and Maha Punjab conferences, which met at the same time as the Congress in Amritsar, have also laid emphasis on national unity and peaceful agitation seems to promise a peaceful acquiescence in Pandit Pant's declaration that there is no question of dividing the Punjab. In the South, there has been no positive rejection of the idea and there are hopes yet of a Dakshina Pradesh. Amritsar is reported to have changed the attitude of many a Congressman who, until the other day, swore by the linguistic principle and it is to be hoped that the change will not prove to be fleeting with a change of scene.

MALAYA GAINS FREEDOM ROAD

ONCE AGAIN Britain may claim to have guided a colonial country to freedom. The happy outcome of Tengku Abdul Rehman's talks in London have set Malaya on the final lap to complete independence and

membership of the Commonwealth. A Constitutional Commission is to be set up soon to draw up a constitution for the Federation. There is ample time for the Malayan leaders and the British Government to take the preliminary steps before Malaya can proclaim her sovereignty on August 31, 1957. The terms of the understanding between Britain and Malaya follow, to a large extent, the lines of the Indo-British agreement of 1947. Defence and foreign affairs are to be transferred to Malayan hands from the date of independence. A Malayan Minister will be in charge of internal security too.

These are unequivocal provisions which should satisfy even the fiercest Malayan nationalists, though Britain is to be permitted to maintain forces in the peninsula "for the fulfilment of Commonwealth and international obligations" for an interim period until the Malayan armed forces are built up. Once the internal guerilla war is brought to an end, in which Britain will give financial help if need be, the defence and mutual assistance pact should suffice and the stationing of any large British force, albeit at British expense, may cease to serve any useful purpose, particularly since Britain is to continue to finance certain capital costs of expansion of Malaya's forces. In the economic field, British help on the London money market for Malaya's borrowing needs is assured. Malaya is to continue as a member of the Sterling Area, thereby continuing to give it the stability which her dollar earnings have been giving.

The path has been cleared, but there still remain a few problems. If the Communists are satisfied that the Tengku has succeeded in securing control of internal security and lay down arms—as Chin Peng promised they would—the biggest immediate problem will be solved. But there will still remain the task of converting ex-guerillas to peaceful ways and thoughts. The nine Sultans of the States which compose the Malayan Federation will have to be satisfied that they will not be deprived of their rights and powers all of a sudden. The British Advisers to the Sultans should certainly be able to allay their fears and suspicions and persuade them to co-operate with the Tengku. The problem of citizenship will also have to be solved amicably and humanely if the type of situation created by the Ceylon Government by its narrow and shortsighted policy is to be avoided.

INDONESIA SEVERS DUTCH TIES

INDONESIA'S DECISION to sever her ties with the Netherlands had not been entirely unexpected. Ever since the recent talks between the Foreign Ministers of the two countries, first held at The Hague and later at Geneva, began to founder, the Dutch-Indonesian Union appeared to be in imminent danger of snapping. The recent discussions centred on two issues—the future of West Irian (Dutch New Guinea) and the future financial and economic relations. When the transfer of sovereignty was effected in 1949, Indonesian leaders agreed to the continuance of the *status quo* in West Irian because they did not want the whole negotiations to be jeopardised by disagreement on this one point. Subsequently, in 1952, the Dutch Government tried to forestall Indonesian claims by amending the Constitution to say that the Kingdom of the Netherlands consisted of "the territories of the Netherlands, Dutch New Guinea, Surinam and the Netherlands Antilles," though, as a matter of historical fact, West Irian was never specially mentioned and was always deemed to be included in Indonesia.

After this, all attempts of the surprised and angered Indonesians to get the Dutch to open discussions on the issue proved fruitless, though the 1949 agreement postulated that the political status of that territory was to be settled within one year of the transfer of sovereignty to Indonesia through negotiations. Whatever discussions took place proved of no avail since the Dutch intransigence continued. Even when the recent talks were going on, four Ministers, belonging to two of the parties to the coalition headed by Dr. Harahap, resigned as they were opposed to the continuance of talks with the Dutch. The pressure of parties at home and the pointlessness of continuing the negotiations compelled the Government on January 23 to break off the talks as a prelude to the abrogation of the Union now.

What of the future? It is unlikely that the present step will help Indonesia to bring into her fold West Irian more speedily. But it has not only helped to dramatise the breach between Indonesia and Holland, but also to give expression to the deep feelings of the Indonesian people. No decisions have been taken on the future financial and economic relations between the two countries, though the abrogation of the Union will add to Indonesia's determination to abolish the special protection accorded to Dutch investments totalling 2,400 million rupiahs and treat it on a par with other foreign investments. This should not mean any discouragement to foreign investment as the Indonesian Government has already recognized the need for foreign capital for the country's economic development and has assured investors of fair dealing. The only consequence will be that Dutch investors will lose their special privileges and Dutch manufacturers, perhaps, a good market. One is tempted to ask whether all this Dutch insistence on retaining West Irian has any economic or political advantage when it has meant so much illwill from the 80 million people of Indonesia, who might otherwise have been as friendly to them as Indians are to the British.

EAST-WEST TRADE

THE REPORT of the U.S. International Co-operation Administration submitted to Congress throws much-needed light on the course of East-West trade in the last few years. It is disclosed that trade between the free world and the Soviet bloc began to lag long before the West banned the export of strategic goods; it is in this perspective that we must view the Communist charge that it is these trade restrictions which are holding down trade. The East European nations have only taken minor advantage of the existence of a large number of items trading in which is subject to no control. When trade in certain commodities expands, others shrink leaving the overall position often unaffected. Even the revision of the list of banned items in 1954, when many commodities were taken off it, has had no significant effect on the quantum of trade.

It is clear that the main reason for the small amount of trade between the Communist bloc and the free world is not that the West refuses to export certain items of strategic importance. Even if the present restrictions are removed, total trade may not show much change, if the Soviet bloc countries merely alter the composition of their purchases. The real reason for the low level of East-West trade is to be found in the political outlook which still dominates the Communist world. Picturing the outside world as always on the lookout for chinks in their armour, the Soviet Union and her satellites have developed an economic system

which strives for an integration of trade within the bloc. Foreign trade for these nations is, therefore, mainly with other members of the bloc, with the outside world—including Western Europe, which until a few years ago had a vast trade with Eastern Europe—becoming a convenient market for surpluses and suppliers of essential goods.

From this orientation it is difficult all of a sudden to expand trade with the rest of world, though conscious efforts are now being made to develop commercial relations with many of the underdeveloped areas of the world. Perhaps this indicates that the Communist bloc's present needs from abroad mainly consist of raw materials and foodstuffs—it is now a net importer of food—and not of manufactured articles which the West can sell. Even if manufacturing industries in Communist countries have made great progress, there is no reason why trade in industrial products should not develop particularly when there is a great lag in the supply of consumer goods in the centrally planned Communist economies.

COMPANY ADMINISTRATION

THE FINANCE MINISTER sought the other day to give an answer to the question how the weapons in the armoury of the new Company Law would be used when it comes into force shortly. Addressing Registrars of Companies and officers of Regional Directorates, Mr. Deshmukh stated that the underlying logic of the numerous regulatory provisions in the new Act would be the economic integration between the so-called private and public sectors. The manner in which this integration is achieved would, he said, be the test of efficient and successful economic administration in any modern State. This was ambiguous language; though the officers entrusted with powers under the law have been given more discretionary authority than may be desirable, they cannot be expected to go beyond what is permissible statutorily, to pursue large objectives which are not defined in day-to-day policies. Mr. Deshmukh, therefore, qualified his remarks with these observations: "They should take the Act as it has been enacted and interpret its provisions in the light of such instructions as they may receive from time to time from the headquarters of the new Department and then enforce these provisions with understanding and wisdom."

"Positive helpfulness" in giving guidance on the implications of the law was the motto he set for the Company Law Administration and, in particular, Mr. Deshmukh emphasised the need to deal leniently with unwitting failure and inadvertent omissions arising from lack of understanding. The extent to which this is kept in mind will be known only during the actual implementation of the law, but since a punitive approach was noticeable even during the legislative process, it may become inseparable from the administrative process also. The danger of a bureaucracy is not that it lacks guidance from above especially in a democracy where the Minister in office has to avoid unpopularity, but that it becomes impervious to such influences unless the pressure from the top is continuous and strong enough to prevent it. Where the prevailing attitude is that the private sector is fair game for all, restraint, which is difficult enough even otherwise, becomes a rare virtue. Departments never feel satisfied either with the powers or the staff they have; they always seek more because they can blame their failures only on the lack of these. The establishment of consultative processes at all levels for representing the views of those affected by the powers may help to mitigate such excesses of authority.

A Window on the World

THE ECONOMICS OF SOCIALISM

By

ODYSSEUS

WHETHER OR NOT you agree with the ultimate conception of a Socialist society, whether or not you feel that its unimpeachable objectives of social and economic justice can be achieved more efficiently, and at less social and economic cost, under Free Enterprise (modified by liberal legislation), a study of the economic ideas that Mr. Hugh Gaitskell, the new leader of the British Labour Party, brings to Socialism suggests that he is a realist, abreast of the latest professional economic thought, aware of the difficulties that cannot be solved by clichés and incantations ("Soak the rich! The class war!" etc.) that are Socialism's ideological hangovers from the pre-World War I pioneer era.

If, as I have said before, you are determined to live with one hand tied behind your back, then Mr. Gaitskell's ideas are important as showing how to make the best of your self-imposed handicap.

Mr. Gaitskell stands broadly against further nationalisation—which is merely the exchange of one set of bosses for another and the conversion of risk-taking shareholders into recipients of fixed interest payments—and for progress towards an egalitarian society in which (as he would put it) everyone enjoys the same social rights and standard of living, or (as I would put it) in which the pace of economic progress is set by the least efficient industries and the slowest workers, everyone is kept as poor as everyone else, and anyone daring to show enterprise which could lift him out of the rut of the average is promptly knocked on the head.

Britain's welfare legislation in education, pensions, national insurance, national health service, and so on (for which the Labour Party can without question be given a substantial measure, though by no means all, of the credit) taken together with the growth of progressive taxation (income-tax, surtax, estate duty, profits tax) has contributed much to the re-distribution of income and the ironing out of extremes of wealth and of poverty in Britain. It is, however, significant that when listing these achievements with satisfaction and emphasising that the need for further progress in these policies is accepted by the Labour Party, Mr. Gaitskell nevertheless thinks it wise to add that "the case for extending free or subsidised services financed out of taxation is obviously less strong the more equal are personal incomes before taxation, and the more re-distribution is already being carried out." He is obviously looking ahead and protecting himself against the day when he will be Chancellor of the Exchequer once more.

WELFARE, TAXATION AND SAVING

Mr. Gaitskell reports that there is much discussion in Socialist circles as to how far social welfare expenditure can (or, as I would say, should) be carried and what the priorities should be between different social services. It seems safe to infer that when Mr. Gaitskell secures office again, he will give high priority to education, since he says that even now differences in education play a large part in maintaining social

and economic differences, because it is still possible for better off parents to buy for their children, by sending them to fee-charging schools, an education which can be "intellectually and usually is socially more valuable than the free system offered by the state." Mr. Gaitskell is likely to pour more money into the state schools in order to provide smaller classes and better teaching. What he does not mention is that as state competition with private schools becomes keener, the costs of the private schools must go up, and, as taxation rises, fewer parents will be able to afford them, so that the next step would be for the state to take over all the innumerable private schools that still flourish in Britain. This would mean a gigantic increase in costs to the taxpayers, running into hundreds of millions. Apart from the danger of the propagation of views held to be "safe" by the state authorities, and apart from the danger of sterility in intellectual advance inherent in any single control of all schools and colleges, where is the money to come from? Which brings us to taxation.

British Socialists have become extremely conscious of the problems involved in high taxation and even if they take what seems a stubbornly rosy view of them, it is at least good to know that they are facing them and not thinking just in terms of bank credits and the note printing press. Mr. Gaitskell argues that it is generally agreed that high direct taxation "has not, save in a limited number of cases, caused people to do less work." Since British production continues to rise, this is doubtless strictly true, although it does not, of course, take into account the evil inflationary effects of high taxation, nor the possibility that production would rise even faster if taxation were less burdensome. He also says that the volume of savings is hardly affected by the reduction in the net yield from taxing the payment of interest. This is doubtless true of insurance companies and many commercial enterprises, but I wonder how far it applies to individual savers who are widely frightened of currency inflation—at any rate in Europe where they have experienced its terrible possibilities.

Mr. Gaitskell asserts that difficulties over saving arise more from the refusal of richer tax payers to meet higher taxes by cutting down their standard of living and from their determination to maintain consumption by saving less or by spending their capital. These difficulties, "though by no means to be underestimated", are less serious, he says, because so much more saving is done nowadays by companies whose "directors are inclined to place the development of the company above everything else, including the immediate interests of shareholders"—a tribute both to the spirit in which Free Enterprise is conducted and to Mr. Gaitskell's freedom from average Socialist prejudices and to his grip on the realities around him.

As to investment, while Mr. Gaitskell admits that the fall in the rate of return caused by high taxation may affect willingness to take risks, here again, he thinks that this is modified when company directors act for their companies.

On policy, Mr. Gaitskell lays it down that "the modern Socialist" would say that even if high taxation

can have harmful effects, the right policy, instead of reducing taxation generally "at the expense of the social services" (surely a qualification that begs the question: a reduction in taxation need not be at the expense of the social services) is to counter these harmful effects by discriminating in favour of undistributed as compared with distributed profits and actual purchase of new machinery instead of leaving the money idle (so as to increase investment). He would be attracted by Hugh Dalton's earlier idea of transferring ownership of securities to the state through death duties, and also by some of his ideas on inheritance taxation.

HAROLD LASKI THROWN OVERBOARD

But while favouring more efficient taxation of inheritance, plus state ownership (without, Mr. Gaitskell is careful to add, necessarily taking actual control) as a sound policy for equality, the modern Socialist is as much concerned with the danger of dissaving or capital consumption which obstructs the path to greater equality. He therefore approves discriminatory taxes which favour those who save and penalise those who do not.

Again and again Mr. Gaitskell insists that economic or social policy must be compatible with parliamentary democracy, which requires a basis of consent to legislation and a willingness to compromise: the minority has as much right to life and the pursuit of happiness as the majority. Mr. Gaitskell condemns the revolutionary yearnings of the late Harold Laski, to whose Marxism he attributes Laski's greater influence outside rather than inside Britain, "particularly in India". The students who came to him from lands where full democracy did not then exist lapped up his Marxism, rejected by those who enjoyed parliamentary rights, privileges, and duties. Mr. Gaitskell reproves Laski for blurring the distinction between democracy

and dictatorship, ignoring the identical features of Fascism and Communism, and for emphasising the differences between Capitalist and Socialist states "whatever the nature of their respective political systems".

Mr. Gaitskell draws attention to the late Evan Durbin's book (recently re-published) "The Politics of Democratic Socialism", which argues that it is impossible to achieve true Socialism without democracy. Durbin cut through what Mr. Gaitskell calls "the veil of sentimentality and ignorance" which caused many Socialists to combine protests against Nazi atrocities with silence about Soviet misrule. In his preface to Durbin's book, Mr. Gaitskell reveals his own ideals. What is fundamental, he says, is "social justice free from class hatred," and devoted equally to democracy and personal freedom, to tolerance and the need for compromise. Socialists should be for the rational and the practical, "suspicious of large general ideas which on examination turn out to have no precise content." Socialists should want results. And modern economics and statistics help to get those results. "Above all, while accepting the ultimate emotional basis of moral valuation, they" (i.e. those who, like Mr. Gaitskell, shared Durbin's views) "had great faith in the power of reason, both to find answers to social problems and to persuade men to see the light. They were for the pursuit of truth to the bitter end, through the patient and unswerving application of logical thought. They wanted no barriers of prejudice to obstruct the free working of the mind or to blunt the sharp edge of intellectual integrity."

This is well said. It is, I hope, the basis on which this column, and indeed this journal, is conducted.

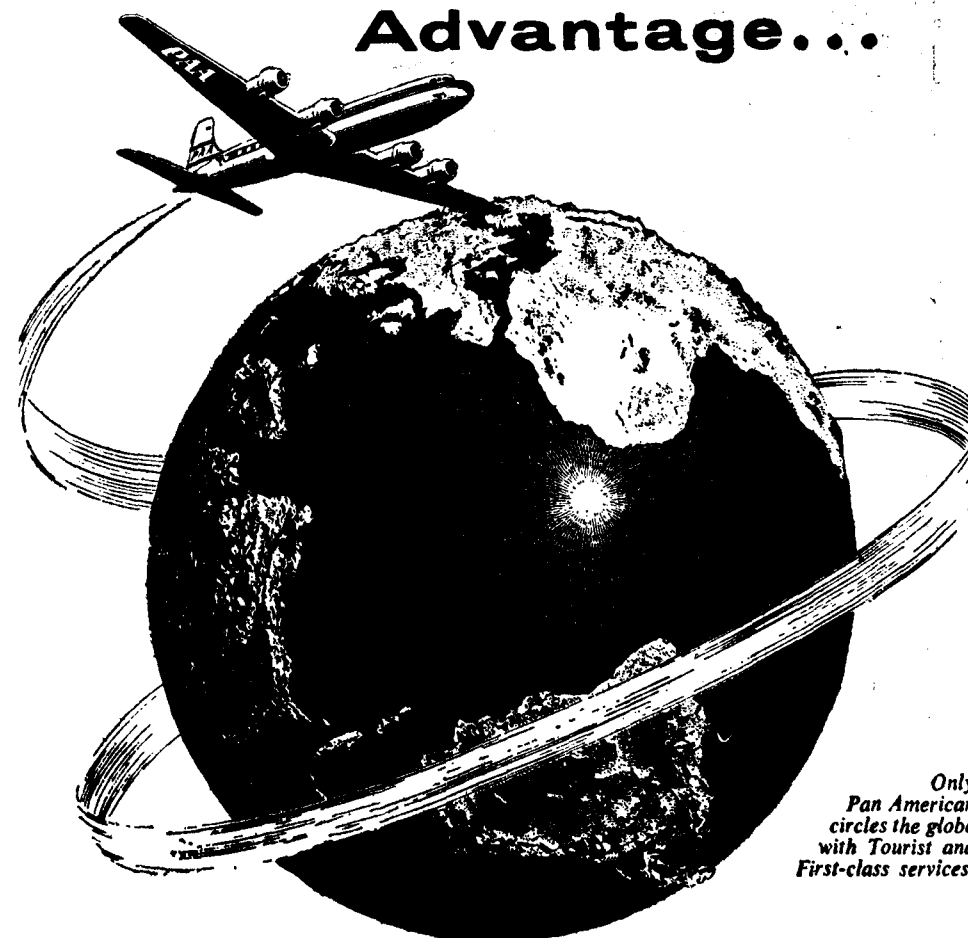
[This is the final article in a set of five on "The Future of British Socialism". Previous articles appeared on January 20 and 27, and February 3 and 10.—Ed.]



AND ASK ABOUT SHALIMAR SUPERLAC — THE MULTI-PURPOSE SYNTHETIC ENAMEL

SHALIMAR PAINT, COLOUR & VARNISH COMPANY, LIMITED
CALCUTTA • BOMBAY • MADRAS • NEW DELHI • KANPUR

This Priceless Advantage...



Only
Pan American
circles the globe
with Tourist and
First-class services.

Round-the-World experience on every flight... yours only on Pan American!

Whether you fly a few hundred miles or thousands, you'll immediately sense the difference this experience makes.

You'll feel relaxed and confident in the hands of the *only* airline that flies 'round the world... the airline that *specializes* in overocean flying... the airline that does the most to make you comfortable in the air!

Pan American has flown *one billion miles* in overseas service... has carried 13 million passengers to international destinations... has crossed the Atlantic over 50,000 times... and has completed over 2,000 Round-the-World trips.

From unmatched achievements like these comes Experience — Round-the-World Experience — the priceless advantage that only Pan American gives you on every flight.

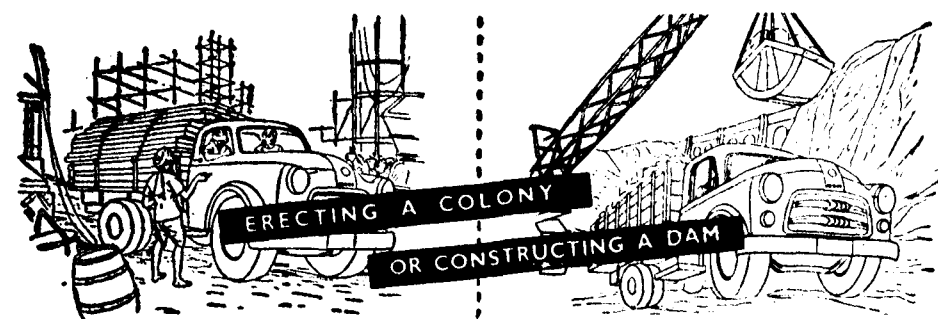
Let your Travel Agent arrange your trip—his services are free. Or call Pan American in:

Calcutta: 42, Chowringhee Tel. 44-2651, 2652 New Delhi: Imperial Hotel Tel. 48172, 48717
Bombay: Taj Mahal Hotel Tel. 35304

PAA

WORLD'S MOST EXPERIENCED AIRLINE

PAN AMERICAN



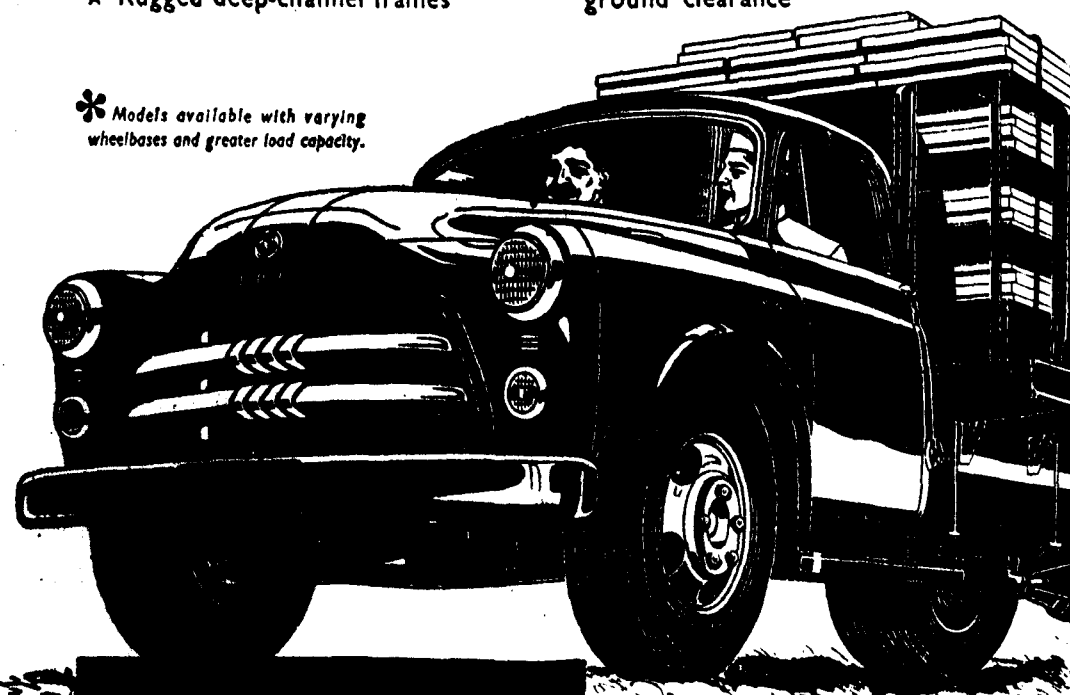
The New **DODGE** trucks are on the job

Whatever the haulage job, you can be sure that the exceptionally versatile Dodge truck can do it. Latest advancements enable the new Dodge trucks to haul heavy loads under the toughest road conditions with the minimum of maintenance.

★ Rugged deep-channel frames

- ★ Advanced design, heavy duty transmission
- ★ Better weight distribution, larger load-carrying
- ★ Maximum power at practical operating speed
- ★ Easier handling and better ground clearance

* Models available with varying wheelbases and greater load capacity.



**THE PREMIER
AUTOMOBILES LTD.**

Contact your Dodge dealer today and he will show you many more new features and recommend the right Dodge truck for your job.

Dealer: **M.S. SIKAND & CO.,**
50, Queensway, New Delhi.

Economic Report from the U. S.

TRADE WITH THE SOVIET BLOC

(By Guy Sims Fitch)

WASHINGTON, Feb. 14.—A Report issued by the United States Government this week should explode once and for all one of the carefully nurtured myths of the postwar period: that free nations can find greatly expanded opportunities for trade behind the communist iron curtain. It was in August 1954 that the United States, along with other free nations that co-operate in controlling their export of war-supporting goods, significantly relaxed their restrictions on trade with the Soviet bloc. They reduced by nearly a third the number of strategic items embargoed for shipment to the Soviet Union and its best European satellites.

The report issued on Monday by the U.S. International Co-operation Administration (I.C.A.) affords the first real look at the results of that relaxation of controls. And it is not a pleasing picture. For instead of the expanded trade so glibly promised by communist leaders, one finds only a negligible rise, accompanied by a meaningful shift in Red buying practices. Covering the period through June 1955, the report shows that the free nations' exports to the communist bloc, including Red China, increased from \$89.6 million in the first half of 1954 to \$901.3 million in the first half of 1955—a gain of little more than one per cent. At the same time, free nations' imports from the communist bloc rose from \$803.9 million to \$1,088.9 million—a gain of 35 per cent.

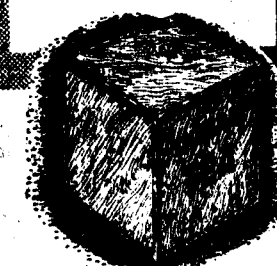
These figures point to one obvious conclusion: the virtue of sincerity in seeking greater international commerce ties with the nations and traders of the free world. But the figures themselves do not tell the whole story. While the Soviet bloc increased its over-all imports from the free nations hardly at all, it stepped up sharply its purchases of metals and heavy machinery, notably such formerly embargoed items as copper wire and equipment for making petroleum and chemical products. Its purchases of such peaceful goods as textiles, clothing, appliances, and machinery for consumer industries—which never had been banned by the free nations—actually declined. This again has raised some persistent questions about the communists' motives and capacities in their commercial relations with the rest of the world. The sad fact is that their drive for self-sufficiency, and its related effort to use international trade as a political rather than an economic instrument, have seriously curtailed the flow of goods between communist and non-communist lands.

As the I.C.A. report details, communist trade with the rest of the world has been showing a steady downward trend. In 1938, countries now in the Sino-Soviet bloc accounted for about 7.5 per cent of world trade. In 1948, after the communists had extended their control over bloc nations but before free-world security controls were in effect, this trade was down to 3.5 per cent. And in the year ended last June 30, when world trade reached a record high of \$162,900 million, the Soviet Union, Eastern Europe and Red China together accounted for only \$3,900 million or 2.4 per cent of the total. This undoubtedly is the result of deliberate policy, inasmuch as the entire trade of the communist

bloc is subject to centralized State direction. Under such a system, controls are complete and automatic, and far easier to achieve than in free countries.

The free nations, which have been enjoying mutually advantageous trade relations to the benefit of their economic conditions, have a wide variety of peaceful goods available for sale to communist countries able and willing to buy them. In short supply in communist lands, for instance, are foodstuffs and many consumer items that would help raise existing living standards. But it apparently will take a more sincere interest in international trade than the communist rulers have shown so far before the people of these lands will be able to benefit from this type of peaceful commerce.

**India's
Tea-
India's
Wealth**



ALLIED INDUSTRIES:

The Indian Tea Industry assists other industries like plywood, ceramics, coal, cement, fertiliser, tea machinery and transport.



No other drink refreshes
you so much, yet costs
so little as **TEA**

Ask for jute goods:-

HUKUMCHAND JUTEMILLS.
LIMITED.
Estd:-1919

Mills at-HAZINAGAR 24-Parganas.
Rly. Stn.-NAIHATI (Eastern Rly.) West Bengal.

Manufacturers of

**HIGH CLASS HESSIAN,
SACKING, CANVAS,
TWINE, ETC., ETC.**

My Agents;

RAMDUTT RAMKISSENDASS

9, BRABOURNE ROAD, CALCUTTA-1

**TELEPHONE Nos
22-3195 (3 Lines)**

**TELEGRAM
"JUTIFICIO" Cal.**

WORLDGRAM

AGRICULTURE

Sugarcane Stem-Borer: Research has shown that the parasite, *Trichogramma*, when liberated in a sugarcane field, considerably reduces the population of the stem-borer of sugarcane. The yield of sugarcane also increases as a result. Control of the sugarcane stem-borer through this method was so encouraging in the Deccan Canals tract in Bombay State that a sugar factory in Ahmednagar district constructed its own laboratory for the multiplication of the parasites for releasing them in the sugarcane fields belonging to the factory.

New Types of Cardamom: Cardamom growers have now better chances of getting higher yields by growing new types of cardamom, which have recently been evolved. The new types are the result of a scheme on cardamom research sponsored by the Indian Council of Agricultural Research. The new types, selected and tried at the Cardamom Research Station, Singempatti, are giving two to five times the yield of the ordinary varieties that farmers grow. Among these, two varieties, S. 71 and S. 81, have shown the best results. S. 81 is suitable for growing in heavy rainfall areas, while S. 71 is good for low rainfall regions.

'Damping Off' in Tobacco: Damping off is a disease that is commonly found in all tobacco growing areas. Seedlings are found to collapse and wither away. Generally, a constriction of the stem of the seedling above the soil surface is seen. Sometimes, the attack is so rapid that obviously healthy seedlings are scorched in a few hours. The disease can be controlled by spraying 2-2-50 Bordeaux mixture, or 'Perenox' at four ounces in ten gallons of water. Spraying should commence from the time seedlings develop the first pair of leaves. It is also good to spray the nursery immediately after the heavy rains. The first spraying should be done three weeks after sowing or slightly earlier if there is any sign of the disease. The second and third sprayings should be done at weekly intervals. If the rains are continuous and the weather is cloudy, the interval should be five days. Further spraying will be needed only if the weather is wet and cloudy for days together.

INDUSTRY

Draft Standard for Reinforced Concrete Poles: The Indian Standards Institution has circulated for eliciting comments a draft Indian standard specification for reinforced concrete poles for overhead power and telecommunication lines. The draft specification deals with reinforced concrete poles suitable for use in overhead power and telecommunication lines, and does not cover prestressed concrete poles, which would be covered in a separate Indian standard. The draft classifies the poles into 12 classes with ultimate transverse load ranging from 400 lbs. to 6,500 lbs. and the maximum overall length varying from 30 ft. to 60 ft. The requirements regarding material, design, manufacture and strength test have been included.

Indian Electricity Output: Power production in India in October, 1955, recorded an increase of 1.7 million kilowatt hours over that of September. During the month, 716 electricity undertakings produced 719.3 million kWh. of power, of which 591.9 million kWh. were sold to ultimate consumers. The new additions were four diesel generating units at Baithangal in Bombay, Sagwara in Rajasthan, Armbag in West Bengal and Jalna in Hyderabad and five purchasing

undertakings at Matiari, Dainhat and Chakdah in West Bengal and Gooty and Rayadurg in Andhra. The figures of output and sale, respectively, for October, 1954, are 624.3 million kWh. and 511.6 million kWh. and for October, 1939, 216.4 million kWh. and 180 million kWh.

Increased Output of Coal in India: The output of coal in India increased to 3,387,664 tons in December, 1955, from 3,096,644 tons in November, 1955, according to official statistics released by the Chief Inspector of Mines in India. Despatches of coal amounted to 2,782,267 tons in December, 1955, as against 2,770,609 tons in the preceding month. Coal stocks at pitheads amounted to 3,605,870 tons at the close of the month. Coke plants at collieries and elsewhere produced 355,450 tons of hard, soft and other kinds of coke during the month and despatched 170,684 tons.

Soldering of Aluminium at Low Temperature: A chemical works in the Netherlands makes a new joining alloy in about 35-gram (525-grain) rods with a melting point of 225°C, for soldering aluminium and aluminium alloys and these, if necessary, to copper and brass. On account of its specific composition this solder, which contains no lead, tin or bismuth, is corrosion-resistant and has good heating mechanical properties. The soldering bolt used as a source of heating must, in view of the great abstraction of heat, be heavier than that normally used. It should be metallized for this purpose. The soldering bolt should preferably be provided with a flame screen to prevent contact flame and flux. This soldering method is suitable for sheet metal in thicknesses of up to 1.5 mm. Soldering can take place in a horizontal, a vertical of a sloping position. The strength of the joints is greater than that of tin-solder joints.

Canada's Iron Ore Output: The output of Canada's iron ore industry is expected to reach nearly 20 million tons this year. This compares with actual 1955 deliveries from the mines of 16,445,411 tons, which more than doubled the 1954 total of 7,361,598 tons. Increasing demands from the steel making plants of the United States and Europe, as well as from the domestic steel industry, were responsible for this expansion. Official Government figures indicate that the tonnage of iron ore for export in 1955 went up to 14,985,382 tons from 6,485,000, while shipments to Canadian consumers climbed to 1,460,029 tons from 876,598.

TRADE

India's Foreign Trade in 1955: The adverse trade balance of India rose to Rs. 360,000,000 during 1955 from Rs. 240,000,00 in the previous year, according to official figures. The total value of exports in the calendar year 1955 was about Rs. 5,950,000,000 which was higher by about Rs. 320,000,00 than that in 1954. There was a simultaneous rise in imports which stood at Rs. 6,310,000,000 compared with Rs. 5,870,000,000, in 1954. All the important commodities like jute manufactures, oil and oilseeds, raw cotton and lac contributed to the increase in exports. Despite the recent decline in prices, tea was also able to hold ground. Among the important items which recorded a decline are tanned hides and skins. The increasing tempo of development expenditure in the first Plan is reflected in the higher imports of machinery and will work valued at Rs. 980,600,000 in 1955 compared with Rs. 800,000,000 in 1954.

Indian Cotton Yarn Export: The last date of shipment of cotton yarn has been extended up to June 30,

1956, according to a trade notice issued by the Joint Chief Controller of Imports and Exports, Calcutta. The stipulation that the cotton growers' co-operative marketing or sale societies should apply for export quotas of raw cotton, grown in the State in which it is situated has been waived. The societies that have been allotted export quotas in terms of the above are now free to export the permissible varieties of cotton wherever grown.

German Trade with Egypt: Egypt has agreed to a multilateral payments systems as part of the German-Egyptian trade pact concluded in Cairo. Britain, Belgium and the Netherlands are to be invited to join the Cairo Club, which would be a second regional multilateral arrangements outside the European Payments Union. The first was the Hague Club, arranged among Britain, Brazil, Germany, Belgium and the Netherlands last year. Germany has agreed to consolidate Egypt's trade debt, amounting to \$16 million for a period of five years. In addition, a small short-term loan will be granted in limited convertible marks. Quotas for Egyptian agricultural products are to be raised. German imports of Egyptian cotton are expected to increase as a result of the multilateral trade proposals.

FINANCE

Low-Income Group Housing Grants: The Union Government had sanctioned Rs. 21.08 crores up to December, 1955, as loans to various State Governments under the Low-Income Group Housing Scheme. Of this amount, Rs. 6.07 crores have been disbursed. During December last year, an additional loan allocation of Rs. 33 lakhs was made to the Madras Government, and a sum of Rs. 84 lakhs was disbursed to four State Governments—Rs. 50 lakhs to Madhya Pradesh, Rs. 25 lakhs to PEPSU, Rs. 5 lakhs to UP and Rs. 4 lakhs to Madras.

Holland's Position in the European Payments Union: In the year 1955 the Netherlands had a surplus of \$64,851,000 in the exchange of payments with the member countries of the European Payments Union, against which \$40,175,000 was received in gold or dollars, while a credit of \$24,676,000 was granted to the EPU. An amount of \$12,264,000 was received under the consolidation agreements concluded with Britain, France, Norway and Iceland. In addition, an amount of \$22,038,000 was received as the Netherlands share in an extra partial redemption of France's debt to the EPU. As a result of all these movements, the Netherlands claim on the EPU decreased from \$181,166,000 at the end of 1954 to \$171,540,000 at the end of 1955.

Lower UK Bank Advances: The monthly statement of the London clearing banks for January, issued recently, shows that in the six months following Mr. Butler's request for a significant cut in bank lending, loan totals dropped by £3.9 million to £1,826 million. A substantial part of this movement, however, reflected the contraction in lending to nationalised industries. It is believed that, in the case of other borrowers, there has been a fall in overdrafts of the order of 7 or 8 per cent so that the target the bankers set themselves to meet the Chancellor's request—approximate cut back of 10 per cent within six months—has not been realised.

Export-Import Bank Loan to Brazil: The Export-Import Bank has decided to grant a \$35 million loan for a general extension of the biggest steel mills in South America, at Volta Redonda, 60 miles from Rio de Janeiro on the Parahyba River. The bank loan will increase annual production at the mill from 650,000 ingot tons to 1 million ingot tons. Two previous loans of \$45 million and \$25 million were made by the bank

in 1941 and 1950. The US has contributed \$2,100 million to Brazil through loans, investments and development capital in the last 15 years.

France's \$55 Million EPU Deficit: France incurred a deficit of \$55 million with the European Payments Union in January. The January deficit more than wipes out the total of the 12 successive monthly surpluses accumulated between October 1954 and September 1955. It follows a net deficit of \$23 million in the last quarter of 1955.

GENERAL

Buildings for Welfare Project Centres: Grants totalling up to Rs. 1,75,000 have been sanctioned by the Central Social Welfare Board during the last two months for the construction of buildings in 60 welfare project centres in 7 States. Each centre building will serve a group of 5 to 6 villages and will be in charge of a gram sevika. The maternity centre attached to the centre is looked after by a trained mid-wife or a dai. For the construction of each of the centre buildings the Central Board makes a cash grant of approximately Rs. 2,500, covering about half of the cost of construction, and the balance is contributed by the villagers, who benefit from the activities, in the form of cash or donation of land.

Report on Joint Stock Companies: According to the Monthly Blue Book on Joint Stock Companies in India, issued by the Department of Company Law Administration, during the month of November, 1955, the number of new registrations in all the States of India, excluding Jammu and Kashmir, totalled 102 companies with a total authorised capital of Rs. 16.24 lakhs. Of these new companies, 22 were public and 60 private companies having a total authorised capital of Rs. 12.40 lakhs and Rs. 3.84 lakhs, respectively. The cumulative total of the newly formed companies at the end of November, 1955, in the current fiscal year was 892, having a total authorised capital of Rs. 96.73 lakhs. The number of new registrations exceeds the registrations during the corresponding period of the preceding fiscal year by 144.

India's Technical Assistance to Colombo Plan Countries: India occupies third place amongst the Colombo Plan countries in respect of the number of people who have been provided facilities for training in various subjects. Up to the end of June, 1955, India had granted 340 training awards in addition to supplying 14 experts to various countries of the Colombo Plan region. The subjects, in which training was given, included statistics, civil and mechanical engineering, medicine, small industries, irrigation, mining, communication, air survey and irrigation engineering. The trainees came from Malaya, Philippines, Burma, Ceylon, Thailand, Nepal, Indonesia, Viet-Nam and Pakistan.

Amendments to Estate Duty Rules: The Central Board of Revenue has made certain amendments in the Estate Duty Rules, 1953. These amendments consist of the addition of new rules 31A, 35, 36 and 37, a proviso to rule 14(6) and certain other amendments which are either of a clarificatory nature or have been made for administrative convenience. Rule 31A requires policies taken out or assigned to the President of India for payment of Estate Duty to be lodged with the Controller of Estate Duty within whose jurisdiction the assured resides. This rule also requires that all former deeds of assignment or re-assignment in respect of policies assigned to the President of India for payment of estate duty shall be surrendered to the Controller. Rules 35 to 37 require information to be furnished in respect of certain kinds of property belonging to the deceased.

NEWS IN BRIEF

INDIAN

On the invitation of the FAO, Mr. C. R. Ranganathan, Inspector-General of Forests, and Mr. S. K. Seth, Central Silviculturist, Forest Research Institute, Dehra Dun, have been deputed by the Government of India to attend the first session of the Teak Sub-Commission of the Asia-Pacific Forestry Commission being held at Bangkok from February 9 to 18, 1956.

It has been decided that in future all insurers carrying on life insurance in India will offer uniform rates and policy conditions. The new rates and policy conditions would be applicable to all policies where the risk commenced to run on or after January 20, 1956.

The Government of India has appointed a 15-member Committee, with the Union Minister for Natural Resources as Chairman, to advise the Government on the working of Vigyan Mandir Scheme.

29,600 tons of wheat will be unloaded at the port of Bombay in the third and fourth weeks of February, it is officially stated. Of this quantity, 9,600 tons are being imported from the USA and the remaining from the USSR.

About 4,700 passenger coaches are expected to be produced by the end of the first Five-Year Plan period. This will exceed the Plan target by 320. The bulk of the coaches are being produced in Indian Railway workshops and the Hindustan Aircraft Factory.

Production of bicycles in India rose to 4,80,000 in 1955 from 3,72,365, in 1954.

India received foreign aid to the tune of Rs. 306.7 crores between March, 1951, and January, 1956. Out of this, Rs. 144.6 crores were utilised during the first four years of the first Five-Year Plan. Another Rs. 50 crores are expected to be spent during the current year; the balance to be used during the second Plan period.

The Government of India has spent Rs. 2,07,217 so far on research scholarships in humanities under the first Five-Year Plan. The total allocation for the scheme is Rs. 8,60,000.

Production of automobiles in India has increased by over 50 per cent. 22,528 cars and trucks were manufactured in 1955 as against 14,462 in 1954.

Rs. 200 crores have been allocated for Community Development and National Extension Service Programme in the second Five-Year Plan.

About 17 million acres will have been irrigated through major and minor irrigation schemes by the end of the first Plan period.

India has dropped out of the current fourth-round discussions between members of the General Agreement on Tariffs and Trade (GATT) as she has at present no items on which she is ready to negotiate tariff reductions.

Col. Lyndall F. Urwick, well known British management consultant, is on a six-week visit to India to advise the Indian Government on the future training of India's industrial managers. The arrangements have been made under the Technical Co-operation Scheme of the Colombo Plan.

FOREIGN

The Syrian Government is to reduce imports to improve the country's foreign trade balance. Industrialisation will be stepped up to replace the import of as many essential foreign goods as possible by home production.

The production of the Netherlands coal mines in 1955 was 11,894,562 tons. The production, which had exceeded 12 million tons in 1950, for the first time fell below this volume.

The Netherlands production of steel in 1955 amounted to 974,000 tons. In comparison with 1954, with a production of 929,000 tons, this constituted an increase of 4.8 per cent.

The United States Atomic Energy Commission is to provide private industry with data about Government research into harnessing the hydrogen bomb for peaceful uses.

A group of experts of the World Bank is to visit Austria this month to discuss the possibility of granting another loan for the development of the country's water power stations. The World Bank is reported to be willing to grant a loan of about £14 million.

The Jordan Government has decided to start talks with the British Government in April with a view to relaxing restrictions on currency now imposed on foreign visitors to Jordan.

A newsprint industry is to be set up in East Pakistan to facilitate the growth of the Press in the country.

Pakistan has signed a trade agreement with Poland. The agreement has been reached in pursuance of Pakistan's policy to revive trade with Communist countries.

Nationalisation of Tunisia's two privately owned railway companies has been ordered from February 15. A decree issued by the Bey of Tunis said financial settlement should be completed within six months.

It is learned that a trade and payments agreement will be signed shortly between Egypt and West Germany. Egypt will import mainly heavy machinery, chemicals and pharmaceuticals, while her exports will comprise a wide variety of products, including agricultural produce.

The first stage of Pakistan International Airlines' £400,000 programme to make Karachi one of the major aircraft engine overhaul bases in the East is near completion.

West Germany had a surplus of \$52.4 million with the EPU in January 1956, compared with a surplus of \$49.9 million in December, 1955.

Mr. J. G. Beevor, Managing Director of the Commonwealth Development Finance Company, Limited, has been appointed to the staff of the World Bank in order to assist the management of the Bank in preparatory work on the organisation of the International Finance Corporation.

FLY NOW



Beat the summer rush & be sure to...

Fly the Finest... **FLY TWA**
TRANS WORLD AIRLINES
ASIA • AFRICA • EUROPE U.S.A.

TWA/56

MBX-50/55

The Metal Box



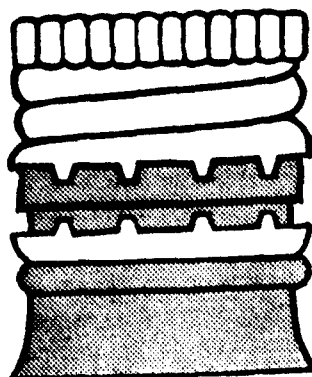
means

Retail Safety

FOR FULL DETAILS AND TECHNICAL ADVICE PLEASE CONTACT

The Metal Box Company of India Ltd

Calcutta Bombay Madras Delhi Mangalore



Special Articles

FROM WEALTH TO CAPITAL CO-EFFICIENTS—IV

By
COLIN CLARK

[This is the last of a series of four exclusive articles on Capital Coefficients written for "The Eastern Economist" by Mr Colin Clark, Director, Agricultural Economics Research Institute, Oxford University. Previous articles appeared in the issues dated January 20 and 27, and February 10, 1956.—Ed.]

WE have decided to treat houses as capital, and of the total capital stock of two, three or four years' national product, it is interesting to see how much is represented by them. In Britain, the United States, the capital stock in the form of houses represents a little over 0.8 years' national income. At first sight this figure may appear improbably low. But it may be taken as a general rule that a man building a new house, in any western country, is not likely to spend more than two years' income on it; and, after all, we do not all live in new houses. Most of us live in old houses, considerably depreciated.

The depreciated stock of capital in the form of houses, expressed as a ratio to national income, appears to be falling in all western countries. This is as true in the United States, where there is a free market, as in Britain, where rents are regulated. In the 19th century, the ratio was generally higher. In fact, the falling demand for housing relative to national income has been one of the principal factors bringing down the capital coefficient. It was fashionable in those days, much more than it is now, for successful men to make a display by building themselves large houses. In any case, building costs were much lower then, relative to the price of other goods and services, than they are now; and also domestic labour to run them and fuel to keep them warm, were also relatively cheaper. People then used to make the display with their houses which they now make with their motor-cars.

Modern India, in this respect, may bear a considerable resemblance to 19th century Europe, in so far as the houses of the wealthy are concerned. Their value, in relation to the national income, may tend to fall in the future. But this factor is almost certain to be offset by the demand of the great majority of Indians for better housing than they have now. For poor families, rent (or imputed rent in the case of an owner-occupied dwelling) in India appears to represent only about 5 per cent of income, perhaps even less in the case of rural workers; but even this low expenditure is met with difficulty, when some 75 per cent, of the whole income has to be spent on food. So far as the outsider can judge, a great many Indians seem to live in cheaply constructed dwellings, where the rate of deterioration is very high, and where the ratio of gross rent (which must include a correspondingly high provision for depreciation and maintenance) to capital value may well be as high as 20 per cent. This means that the Indian who is occupying a dwelling, for the rent of which he pays 5 per cent of his income, is using a capital stock which only amounts to 25 per cent of his years' income. Some fraction as low as this probably represents the order of magnitude of India's capital stock in the form of houses, expressed in relation to a year's national product. Even if this ratio never rises as high as the figure of 0.8 found in Britain and the United States, it is almost certain to rise very considerably above the figure of 0.25 now prevailing.

It is not clear from Dr. Prebisch's figures whether or not he has included housing in his calculations of the capital coefficient for Latin America. If he has not, this would explain the low values which he obtains. The figure of 2.0 obtained for Russia can also be explained in terms of the very low expenditure upon housing there.

For measuring Indian national product and net investment, it is convenient to use the unit popularised by the National Income Committee, the 'abja' of a hundred crores, or a thousand million rupees. The fullest study of Indian investment so far appears to have been that submitted by Messrs. Mukherjee and Ghosh to the International Statistical Institute when it met in Delhi in 1951. They found that India had a gross capital formation of 10.5 and a net capital formation of 5.4 abja in 1949-50 which represents a net investment of 6 per cent of the net national product of that year. This is distinctly above the estimate of the Indian Institute of Public Opinion, which puts net capital formation in 1949-50 at 4 per cent of national product, corresponding to 3.6 abja. Even this represents a figure considerably higher than that estimated by Professor Thomas, (admittedly on less adequate data) for 1925-38, for which period he estimates net investment (revalued to 1949-50 prices) at only a little over 2 abja per annum. The Indian Institute of Public Opinion estimates that the volume of real net investment again began to increase rapidly in 1951-52, and is now twice what it was in 1949-50, now representing 7 per cent of the (increased) net national product.

Mr. K. N. Raj, whose paper to the World Population Conference in 1954 on India's economic development and capital requirements was very well received, thought that a rate of net investment of 7 per cent of net national product was the highest which could be aimed at at present, but he hoped to see the ratio rise to 11 per cent by 1960 and 20 per cent by 1967. He estimated net investment in 1950-51 at 4.5 abja, about half way between the estimates of the Indian Institute of Public Opinion, and of Messrs. Mukherjee and Ghosh. By 1960 he thought that net investment would be (in money of present day purchasing power) 13 abja per annum; but then went on to add the warning that at least half of this would probably be needed for "economic and social overheads", meaning presumably transport, public utilities, governmental services, housing and the like, and would not be directly available for industrial and commercial investment.

There is, unfortunately, a frequent tendency among planners to overlook these expensive but necessary overheads. One does not wish to make fun of the Bombay Plan of 1945, because it was a courageous pioneering effort, and also one of the few "plans" in the world to be drawn up entirely by business men. Its proposal to double real national product in fifteen years was over-optimistic; and it went astray largely because it proposed to devote all available resources to further

investment in manufacturing industry forgetting the costly additional investment in transport and public utilities which was going to be required; even if Indians could be persuaded, as their country became wealthier, not to demand any further investment in housing.

Between 1950-51 and 1953-54, according to the Indian Institute of Public Opinion, real national product grew by as much as 17 per cent, a very satisfactory rate of growth indeed. By a crude comparison between the increase of national product and aggregate net investment over this period, some people have reached the optimistic conclusion that India's marginal capital coefficient is as low as 1.5, i.e., that a net investment of 1.5 abja will increase real national product by 1 abja for each subsequent year. This, however, seems to be proving a little too much. Nearly half of the increase in real product in the last three years has consisted of an increase in agricultural product, which was partly (but by no means wholly) explainable in terms of weather conditions. That real national product should continue to increase by 3 or 4 abja per annum (1953-54 national product was 106 abja) is quite a feasible objective; but we may predicate a marginal capital coefficient of 2 or more, even if little is spent on housing, i.e., that it will require a net investment of at least 7 abja per annum to keep at this rate of growth of national product.

There is, however, one final consideration, which may in the end allow us to reckon for India a marginal capital coefficient considerably lower than that deduced from the experience of other countries. The national total of net capital investment each year will include a small component for net addition to stock in trade and working capital. Of the remainder about two-thirds will represent buildings and structures of various kinds, and one-third equipment. Stock in trade

costs much the same in India as anywhere else, and equipment much of which has to be imported, with transport and installation costs, a little more. But in respect of the main item, namely, building (the same consideration perhaps does not apply to engineering structure), you get far more real capital for your money in India than you do elsewhere. In 1947, the cost of constructing the best western style dwellings in India was stated at only 5-6 rupees per sq. foot (it is true that costs in India have risen since that date, but so they have in other countries). This means that the purchasing power of the rupee over building as compared with its purchasing power over goods in general, is no less than 'five times' as high in India as it is in the United States, three times as high as it is in present day Britain, or twice as high as it was in 19th century Britain. The reason for this paradox is that the operations of the building craftsman are much the same in all countries and times, and although the American bricklayer, with his mechanical hoist and other equipment, may work faster than the Indian bricklayer, his relative superiority in productivity is certainly very much less marked than is that of the American manufacturing operative over the Indian.

Even if we assume that these relative advantages apply much less in the construction of commercial buildings and of engineering structures, nevertheless the high purchasing power of the rupee in this field is so striking, and building represents such an important element in the total of national net investment, that it does seem that we can now safely conclude that the marginal capital coefficient to which Indian planners should work can safely be estimated at any rate at well below the figure of 4 prevailing in 19th century Britain. To put the figure at 2 is probably too low, but it may well be as low as 2½.

INDIA'S ADMINISTRATIVE PROBLEM—II —THE PUBLIC SECTOR

By Sardar K. M. PANIKKAR

GOVERNMENT undertakings fall into three patterns. There are some undertakings which are administered either by the Central Government or by Provinces. The ordnance factories and some of the irrigation schemes, etc., are instances of this pattern. A second pattern is that of government companies, the share capital of which is held by the President of India who nominates the Board of Directors responsible for the administration of the concern. The Hindustan Shipyard is an instance. The third pattern is that of the so-called autonomous corporations; for example, the Damodar Valley Corporation. Each of these patterns raises different problems. Though the object of administering an undertaking through a company or a corporation is to enable the procedure and methods of private enterprise to be followed to a large extent and to reduce so far as possible government interference, the administrative problems created by the extension of government activities to the economic field exist in their cases also. So long as the funds involved belong to the government, the responsibility to Parliament cannot be overlooked or ignored on the ground that they are being managed on a commercial pattern. As long as the Minister in charge is ultimately responsible to Parliament for the investment, his responsibility cannot be shirked and this would mean an overall supervision and control by the central administrative machinery. By merely constituting these operating units into companies and thereby bringing them under the operation of the Company Law, it is obvious that the authority of Parliament cannot be ousted, so long as the company is run by government officials and the investment is wholly that of the government. Any attempt to do so would be

nothing less than a fraud on the constitution. To expend vast sums of public money without the normal controls to safeguard public interests would naturally be resisted by Parliament which is the guardian of public funds. Whether departmentally administered or by companies or corporations, so long as the funds are provided by the authority of Parliament, Parliament's jurisdiction cannot be ousted.

Considering that there are over a hundred units, both provincial and central, which are financed by public funds and managed either directly or under the authority of government, the problems of administration arising out of this development may well be considered one of the most important of all issues facing modern India. The emphasis may, in the first place, be said to have shifted from the administration of land to the administration of industries, though intrinsically the importance of the former could not be said to have decreased. The emergence of industrial administration as one of the major functions of government faces us with two sets of problems, each important in itself but jointly constituting the most important issues for which we have to find a solution.

One set of problems is concerned with the recruitment, training and conditions of service of the personnel in running these vast concerns, at the managerial and technical levels. The training, ability and the skills required for managing a steel factory are not the same as those required for running the general administration. In fact, the successful running of any concern requires a different approach, a different kind

of initiative, and a specialised kind of executive ability. The normal administrator has only to be wise, humane, cautious, honest and function with a general eye to the rules and regulations which have been laid down, tested and proved by the experience of generations. The executive of a large concern has to develop other abilities, the ability to manage and look after men, to solve the day-to-day problems that arise with the least possible delay, to be on the alert about new techniques, to keep one up-to-date about changes in the industrial world in fact is a totally different kind of administration and requires a different type of personnel. The old Macaulayan idea, borrowed from the Chinese mandarin that the best administrator is a man of high intelligence with a liberal education, who is capable of taking sound decisions may be sound enough for general administration, where a margin of efficiency does determine competitive results. But in industrial undertakings the position is different. There, it is that little margin that makes all the difference. The question of the recruitment of the industrial administrators and technical personnel has therefore assumed an importance which we can no longer overlook.

One proposal which has found wide acceptance is what has been described as an Economic Service, a cadre specially recruited and trained for providing the managerial skills in our industrial concerns. There is something to be said in favour of such a service for it is likely to attract energetic young men with ambition, and they may, with adequate training and apprenticeship, provide a reservoir of personnel for these great undertakings. But such a service has obvious weaknesses some of which I should like to emphasise here. The very conception of 'service' involves principles of seniority, promotion, time scale of pay, etc., which in my opinion are unsuited to the management of industrial concerns. Efficiency and talent must find quick promotion and early responsibility in an industrial concern. Equally, the less efficient has to be eliminated without considerations commonly known as security of tenure. This strange doctrine of security of tenure, invented by the services in their own interests and elevated to the rank of a dogma, works mainly as a protection for the less efficient; and unfortunately it has come to be of the essence of the conception of an organised service. The creation of an economic service, which, let us be clear, will gradually imbibed the traditions and methods of administrative services will only create a new vested interest, an interest which will not contribute to efficiency or encourage initiative or talent. Each major industrial unit in my opinion should under proper safeguards be allowed to recruit its own personnel up to the intermediate level of management, while the appointments involving superior control should be by selection over the widest range by the ultimate authority whether it be the Government or a board of control.

In every industrial concern there have to be two different groups of officers, those in charge of technical administration, engineers, chemists, etc., having special technical qualification. There must also be a central staff, which is not necessarily technical, but with knowledge of the special problems of the particular industry. The recruitment and higher training of the first category are most important but do not concern us here. It is the managerial service and the control bodies which come under the proper definition of administration and it is on their ability and efficiency that the success of the system depends. The present method of putting men from the central or provincial secretariats in charge of such managerial posts can only be considered an unavoidable improvisation, and it is not likely to yield the best results.

The second set of problems relating to industrial administration relates to the control which Parliament

must exercise over these giant concerns in which so much of public money is invested. There is a general tendency among administrators and servicemen to consider such control as unnecessary interference, something which stands in the way of their effective exercise of power. What they would like to see is Parliament reduced to the position of a general meeting of the shareholders, themselves holding proxies for the majority. This is a fundamentally wrong view. Where public funds are concerned, Parliament's authority has to be absolute and it is the Parliament's duty to be vigilant and to see both that the money that it has provided is wisely spent, and the policies it has laid down are adhered to. Parliament entrusts its authority to a Minister and the Minister exercises his authority through his secretariat. This is a structure which no state-managed industry can avoid, unless Parliament chooses to abdicate its authority. This is the central contradiction of the nationalisation of industries, the control of productive agencies by a bureaucracy with no special qualifications and situated at a distance from the field of operation. The administrative problems which this situation gives rise to, require careful and detailed study. Basically the issue is how to keep general control of the vast economic operations without interfering with the day-to-day work. The easy answer is to 'trust the man on the spot'. Undoubtedly the man on the spot has to be trusted, but that cannot and does not mean that each unit can run its own show, well or ill, and the nation should be satisfied with whatever results it obtains. Undoubtedly it is for Parliament, working through its appropriate machinery to lay down the policy, co-ordinate the activities, lay down the targets, and see that its decisions are carried out. These functions would involve regular supervision and occasional intervention in administrative matters. That such intervention does not degenerate into daily interference, denying initiative to the people in charge, holding up decisions and making the authorities spend time in replying to minor technical objections is one of the essential conditions of the successful administration of nationalised industries. The problem is one of finding a middle way and that can only be found by experience. A code of political and administrative conduct must develop, both at the Ministerial and Secretarial level, and at the level of those in charge of administration. This is a matter of time and experience.



THE UNITED COMMERCIAL BANK LTD.

HEAD OFFICE: CALCUTTA

London Branch: 15, THROMMORTON AVENUE, E.C. 2.

G. D. BIRLA Chairman

Subscribed Capital	Rs. 4 Crores
Paid-Up Capital	Rs. 2 Crores
Reserve Fund	Rs. 95 Lacs
Total Working Funds (As on 31.12.55) Over	Rs. 81 Crores

Branches in INDIA, PAKISTAN, BURMA,
MALAYA & HONGKONG

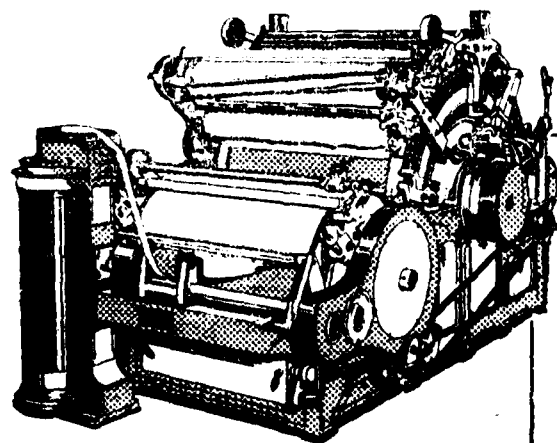
Agents all over the world

Rupee Travellers' Cheques issued in convenient denominations.

S. D. SADASIVAN
General Manager



revolving flat cards



are now being extensively used
in Textile Mills in India.

Outstanding features

1. Five distinct setting points, used singly or in combination, to control setting to .001 inch.
2. Johnson bronze bearings, for cylinders and doffers. Roller bearings to cylinder; ball bearings to doffer and ball bearing comb box also provided as optional equipment.
3. Ball bearings to lick-in pedestals.
4. Self-lubricating 'Olite' bearings at several locations.
5. William's patent stripping motion for flats.
6. Drop lever with new disengaging handle.
7. Fluted lap roller with positive gear drive from feed roll helps uniform feed of lap at the back with minimum possible stretching.
8. Cards can be geared for any production in a mill organization.

Machinery Manufacturers Corporation Ltd.

Factory: Sonai Works, Kidderpore, Calcutta 23.

Managing Agents:

MAHINDRA & MAHINDRA LIMITED

Head Office: Gateway Building, Apollo Bunder, Bombay.
Calcutta Office: Hall & Anderson Building, Park Street.

PSMMC-3A/A

READY FOR SALE!!

THE MADRAS STOCK EXCHANGE OFFICIAL YEAR BOOK 1955-56

(Enlarged Edition)

FOURTH YEAR OF ISSUE

(Balance Sheets and other Particulars received upto 15th December 1955,
incorporated giving latest information)

646 Pages

PRICE: Rupees 7/8

(Postage Extra Rs. 2/8)

Compiled by

THE MADRAS STOCK EXCHANGE ASSOCIATION LIMITED

322-323 Linghi Chetty Street :: MADRAS-1

Available with:

ALL MEMBERS OF THE ASSOCIATION

and at Bombay with:

J. R. MOTISHAW,
32, Apollo Street;
Fort, Bombay.

and

P. R. SUBRAMANYAM,
70-A, Stock Exchange Building,
Apollo Street, Fort, Bombay.

Letters to the Editor

EXPORT OF COTTON PIECEGOODS

Sir,

Bleak prospects seem to be ahead of India's export trade of cotton piecegoods, particularly in the U.K. During the past eight weeks or so the price of Indian cotton piecegoods has gone so high that buyers in Lancashire feel that very soon the margin in price which made Indian cotton piecegoods preferable to their own would disappear. This upward trend of prices of Indian cotton piecegoods is only helping Lancashire to get on her own. Such a phenomenon in the face of an impending recession in the cotton market owing to the huge American cotton surplus is contrary to hypothesis and has baffled many buyers who have put off buying.

The very much increased demand for cotton piecegoods in India is reported to be one of the main causes for the increase of textile prices there. This demand it is said was likely to increase further by the end of the second Five-Year Plan. This would naturally lead to further rise in prices at home making our cloth less competitive in the overseas markets. The best way to combat increased demand is by increased production. The present policy of fixing a ceiling on the production of mill cloth is only placing an impediment on production thus allowing prices to remain sky high. Our already threatened export markets have begun to shrink. Entering a new market is a difficult enough job—regaining a lost one is impossible.

We are having formidable competitors in Japan, China, Spain and even Russia all of whom are aggressive sellers at keen prices scheming to capture as many overseas markets as possible. UK is not lagging behind

and is planning to open up textile mills in the Colonies where with cheap labour they hope to produce cloth for local consumption at low prices. One mill in Nigeria has already been completed and is expected to meet a third of Nigeria's requirements of 42 million yards. Nigeria has so far been one of India's best markets.

At such a time when others are trying to enter our markets circumstances in India seem to help them get in. Such circumstances have to be contended with. Something has to be done to keep our prices in the export market steady. The least the State can do to forestall a catastrophe in the textile export trade would be reconsidering their policy on establishment of new weaving mills, encouraging automatization and removal of export duties. "Produce more, wear more and export more" should be the slogan of the textile trade in India.

It is high time people in authority in India woke up and became alive to the situation. By strangling the textile industry in India by restricting their equipment, production, and even progress by way of modern equipment they are not helping India to build up but positively ruining one of her major industries which has struggled hard to successfully enter international markets and has obtained for India a decent share of much needed foreign exchange.

Yours faithfully,
A. S. KRISHNASWAMI.

MIDLAND HOTEL
MANCHESTER,
26-1-1956.

TUSSLE OVER TEXTILE TARGETS

Ordinarily I should have ignored the reactions of Mr. C. K. Narayanaswamy to my article on "Tussle Over Textile Targets" in the issue of the "Eastern Economist" dated January 13, as it seems, he prefers to rely on hearsay reports and not on even authoritative documents published by the Government of India itself. One would have expected that, after Sir Shri Ram's statement doubting the feasibility of increasing shifts in textile mills, there would be no argument on this aspect of the matter at least. But Mr. C. K.N., it seems, refuses to be satisfied with Sir Shri Ram's observations. Let me, therefore, quote the following latest published information on the monthly working of the shifts in cotton mills in India which has the authority of no less a person than the Textile Commissioner, Government of India, behind it:

	First Shift	Second Shift	Third Shift
Ahmedabad			
Spindles (Miln.)	1,875	1,835	405
Looms	39,487	38,269	3,646
Bombay City			
Spindles (Miln.)	2,822	2,730	1,237
Looms	61,693	58,834	13,331
All-India			
Spindles (Miln.)	9,883	9,308	3,610
Looms	175,230	157,725	33,209

As anyone can make out from this table, it is incorrect to say that "most of the Ahmedabad mills" have gone into third shift; percentagewise, the number of looms working third shift in Ahmedabad, for instance, was only slightly over 9 per cent for the month of June, 1955, to which these figures relate.

Even the all-India figure of total looms engaged in third shift working were below 20 per cent. Surely, the superlative adjective 'most' could not be employed accurately to describe this position.

I do not refute the Commerce Minister's figure that the mills can produce over 285 million yds. of cloth over and above 5000 million yds., nor the fact that over 2 million spindles and a few thousand looms have been licensed. These spindles and looms will certainly go into production in the next 18 to 24 months and add to the total production in the country. But, if a ceiling were to be imposed on the cotton mill industry output at 5000 million yds., that is a quantity more than which is even now being produced with the existing equipment, what is to happen to the newly licensed spindles and looms? And where arises the need to work more shifts? What is sought to be impressed upon the layman is not the inability of the mill sector to deliver the goods, but precisely the opposite, that is the ability of the mill sector to do much more than what has been assigned to it, and for which there would appear to be every justification, as the latest memorandum on "The Impact Of Hand-loom On The Indian Economy" submitted to the Planning Commission by the Millowners' Association, Bombay, clearly establishes. The cost of the proposed experiment to the country, as the memorandum declares, will be entirely out of proportion to what is really required to provide additional employment, which seems to be the main consideration that has prompted the Village and the Small-Scale Industries Committee (Karve Committee) to recommend a ceiling on mill cloth production.

I must say that Mr. C. K. N. is more dogmatic than even the Karve Committee about the performance of the **Ambar Charka**. In paragraph 32 of its Report, the Committee says: "On the basis of the present information regarding the mechanical soundness and performance of the three units (**Ambar Charkha**, Kale's spinning unit, and Gupte's spinning unit) and the acceptability of the yarn obtained from them, we are not able to express any opinion about the possibility of meeting yarn requirements for additional cloth production from small spinning units operating on decentralised basis". Even the General Secretary of **Sarva Seva Sangh** only refers to a programme of introducing **Ambar Charka** in about 100 centres by April, 1956 to test the suitability of **Ambar Charka** yarn for handloom industry and the acceptability of handloom cloth woven from such yarn to the consumer. And, again, the Karve Committee itself, evidently being not quite certain, has stated that if, on a review of the position in May, 1956, it is found necessary to license new spindleage, this may be allowed to the necessary extent. When the whole thing is still in a state of flux like this, I would not like to join issue with Mr. C. K. N. as to the ability of the **Ambar Charka** to produce yarn of over 20 counts, much less his claim that "the **Ambar Charka** can produce yarn from 16 to 40 counts to 80 counts and above with Indian cotton and no mixture." This should, indeed, come as a revelation to everyone engaged in the cotton textile industry. The best result in a mill spindle on the best quality Indian cotton, such as, say **Rajapalayam**, is said to be no better than 45 counts and, inasmuch as the **Ambar Charka** is, after all, diminutive version of a spinning frame, it is too much for anyone to stomach the claim that it can produce yarn of over 80 counts with Indian cotton without any mixture. Even after conceding the further claim that, quality-to-quality of Indian cotton, the **Ambar Charka** spins five to 10 counts above that spun on the mill spindle. True, I too have heard it claimed that one can produce even on a **Takli** anywhere up to 90 counts and, on a laboratory spindle, up to even 115 counts! But the preparation involved and the manual dexterity needed are out of all proportion, and one cannot proceed on the basis of such stray records when planning for an increase in production of millions of yards of cloth.

I do not think that I have let any cat out of the bag, in quoting Sir Shri Ram's view that exports can only be possible of commodities for which there is a good home market. The underlying idea of this view—let me make the point clear, again—is that, if the exportable commodities are those as have a good home market—and India with its large area and vast population undoubtedly provides a good home market for any consumer goods—they can withstand the shock of unforeseen dislocations to the export trade in these commodities caused by the import policies of foreign countries.

It is a travesty of facts to say that at no time our exports of textiles reached the target of 1000 million yds. fixed for the second Plan period. Let me refer to a table in the pamphlet on the Indian Cotton Mill Industry (vide P. 14) issued by the Millowners' Asso-

ciation, Bombay, last year, from which he will be able to see that, twice in the recent past (1942 and 1950) the actual performance of the country has exceeded this target by 61 million yds. and 133 million yds., respectively. Let me make it clear here that I am referring to "actual quantities of exports" (according to official figures and "not the quantity passed for shipment", which are the figures of export that the Millowners' Association generally publishes). It is also wrong to say that "the millowners know that the export target is impossible of achievement in the changed conditions and, therefore if more spindles and looms are permitted to go into production, there will be additional production with which they can strangle the struggling handloom industry". Let me, again, disabuse Mr. C. K. N.'s mind by quoting from the same pamphlet of the Association (vide P. 15): "There is a growing realisation in the country of the need for developing external markets for Indian piecegoods not only for purpose of earning foreign exchange but also to enable the mill industry, which has to bear the brunt of foreign competition, to maintain production and employment at their present high level. It is also advantageous to the handloom industry if larger quantities of mill cloth are sent abroad". This extract does not denote any eagerness on the part of the mill industry to strangle the handloom industry, as Mr. C. K. N. alleges.

Finally, I am surprised that even in the year 1956, that is, after over eight years' of Independence, Mr. C. K. N. should be talking of the non-availability of yarn, thereby insinuating the Government of the day that it has not ensured adequate supply of yarn to the handloom industry. This is too stale to be tenable in the prevailing circumstances. Nor is Mr. C.K.N.'s claim that the productive capacity of the handloom industry in the country is 3200 million yds. quite correct. Although it is true, according to the Karve Committee, that the total number of looms engaged on cotton, both active and idle, works out to about 20 lakhs, it is not until 1960-61, when all these handlooms are supposed to fulfil the production programme by working for about 300 days in the year with a daily average output of 6 yds. per loom, that one could speak of the capacity being actually there. In the absence of the fly-shuttle loom and the take-up motion attachment and on the basis of average annual working for only 150 days of even the active looms as at present, the capacity is certainly not 3200 million yds. but very much less. Let the **Ambar Charka** produce by all means a part of the additional quantity of yarn required but not all the 3200 million yds. as suggested by the Kanungo Committee or the Karve Committee. Let it aim at the more practicable and modest figure of, say, 500 million yds. If on the basis of the cost and quality of yarn produced by the **Ambar Charka** to produce this additional 500 million yds., the country and the consumer are prepared to vote for the **Ambar Charka**, there should be no objection. But to rush to do the thing on the unjustifiably ambitious scale on which this is sought to be done now is definitely not going to help the country.

[Correspondence on this subject will cease—Ed.]

The Business World

THE RATIONALE OF TEXTILE TARGETS

By
CROESUS

OUTSIDE probably a very limited circle of those who believe that the handloom industry can achieve impossible miracles, there are few who do not share the view of the millowners that a target of production of anything more than 2000 million yds. for the handlooms is not only impracticable but also uneconomic. If, as has been stated by the protagonists of the handloom industry, the most important objective in requiring the handloom industry to produce as much as 3200 million yds. is to provide full-time employment for all the existing handloom weavers, there should be no objection on the part of these protagonists to a scheme that the millowners have recently forwarded to the Planning Commission, in which they reiterate that the target of production for the handlooms should be 2000 million yds. and also add that, by fixing the target at this level, even the objective of providing full employment for existing handloom weavers could well be attained. This is the positive aspect of the scheme submitted by the Millowners' Association, Bombay. But there is also a negative aspect to it, a very important negative aspect as that, which the Memorandum stresses, namely, the consequences on internal economy and export earnings of the severe shortage of cloth that is likely to develop in the event of the handlooms being called upon to account for a production of as much as 3200 million yds.

On the basis of the results of the 1953 Census of Manufacturing Industries and of an article entitled "**Ambar Charka**. Tentative Prices of Yarn and Cloth", by Dr. J. D. Sundaram, published in December, 1955 issue of **Khadi Gramodyog**, the journal of the All-India Khadi and Village Industries Board, the memorandum rightly comes to the conclusion that the consumer will have to pay a relatively higher price for handloom cloth, besides making good the loss of revenue to the exchequer, consequent on the need to subsidise handloom cloth, by paying enhanced taxes. The consumer might not mind all these if at least a good portion of the extra amount that he is called upon to pay for the handloom cloth thus went to the distressed handloom weaver. But figures have been worked in the B.M.A. memorandum which show that the handloom weaver will, in fact, receive only a very small proportion thereof. At the same time, it has been established that the cost of the experiment to the country will be entirely out of proportion to what is really required to provide the additional employment.

It is noteworthy that the memorandum does not stop at this but proceeds to point a way to create more fruitful employment on the same scale but at a much lower cost to the country. Incidentally, this suggestion has the further merit of avoiding the depressing effect on the standard of living of the common man that would result if he is forced to go in for the relatively higher priced handloom cloth. A very good example has been worked out in the memorandum clearly to illustrate the thesis in question of the millowners. The memorandum examines the effects of a purchase by a consumer of 100 million yds. of cloth each manufac-

tured by mills and by handlooms. The results of the examination are as follows:

(100 Million yards)			
MILL CLOTH		HANDLOOM CLOTH with mill-yarn	
(In million Rs.)		(In million Rs.)	
Consumer pays at 15 as. per yard	93.8	Consumer pays at Rs. 1-2-0 per yd.	112.5
		Rebate paid by the Exchequer at 1 anna per yard	7.0
			Rs. 119.5
Disbursement		Disbursement	
Wages for 7,000 workers employed on weaving side only	10.9	Wages at Re. 1 per day for 70,000 workers:	
		for 7,000 workers	2.1
		for 63,000 "	18.9
			Rs. 21.0
Payment to the Exchequer:			
(In million Rs.)			
Excise duty	4.9		
Income-tax	2.1		
Sales-tax	2.9	9.9	
			20.8
BALANCE	Rs. 73.0	BALANCE	Rs. 98.5

It is seen from these results that, whereas, in the case of handlooms, the amount actually utilised for the common good is Rs. 21 million (being the total wages paid to 70,000 workers), it is Rs. 20.8 million (being total wages and taxes in the case of mills). This means that for only Rs. 0.2 million extra that accrues to the common good, the consumer is asked to pay as much as Rs. 25.7 million more by way of prices for the handloom cloth. Not only that, the consumer who is told that it is the handloom weaver that benefits will find that the balance of Rs. 25.5 million, the additional amount paid by him, (difference between Rs. 25.7 million and Rs. 0.2 million) goes altogether to people other than the handloom weavers! The enormity of the loss to the consumer and to the country at large becomes obvious when it is realised that it is not just 100 million yds. that the handloom weaver is asked to produce but, 3200 million yds. according to the Kanungo and the Karve Committees. This is 1200 million yds. more than the target of production for handlooms which the millowners feel to be a safe limit. To confine ourselves, therefore, to the loss to the country on account of the difference between 3200 and 2000 million yds. as above or of 1200 million yds., one finds that it would be 12 times that indicated in the example above. This has been succinctly stated in the memorandum thus:

Better by air

best

by

KLM

ROYAL DUTCH
AIRLINES

(1) The extra amount which the consumer will have to pay for 1,200 million yards will be as much as Rs. 30.84 crores.

(2) Out of this sacrifice of Rs. 30.84 crores which the consumer will make, the amount utilised for the common good will be as small as Rs. 0.24 crores (at the rate of Rs. 0.2 million per 100 million yards)!

(3) If, instead of handloom cloth, the consumer is provided with mill cloth, he would be in a position to buy 27 per cent more cloth with the same outlay, and this will help not only to increase his standard of living but also to create more employment in cotton fields, mills and all the channels through which this additional cotton and cloth will pass and, at the same time, secure higher receipts to the exchequer.

(4) When 100 million yards are produced on handlooms, extra employment is created for 63,000 workers who receive wages of Rs. 18.9 million. The exchequer, however, has to pay out a rebate of Rs. 7.0 million and lose a revenue of Rs. 9.9 million, which it could have earned from mill cloth. So far as the exchequer is concerned, this makes for a net difference of Rs. 16.9 million, which is almost equal to the wages of Rs. 18.9 million earned by the additional workers. If we also take into account the fact that the consumer could increase his consumption of cloth by 27 per cent, the revenue derived by the exchequer, along with the rebate saved, would be equal to the wages earned by these additional 63,000 handloom weavers.

If such are the consequences of the handloom cloth produced even out of yarn produced by mills, it is unnecessary to project one's mind to the consequences that would result from cloth produced by handloom weavers out of yarn produced on the Ambar Charka. Even the protagonists of Ambar Charka have themselves admitted that cloth woven from yarn produced on Ambar Charka would be costlier than the mill-spun and hand woven cloth by about 4 as. per yd. In all conscience, the strain on national economy involved in this case would be very much more. It is axiomatic that a sacrifice is worthwhile if the resulting benefit is at once considerable and permanent. But is the employment that the handlooms provide of a permanent nature, let alone its not being lucrative? According to the Karve Committee itself, the employment provided through the medium of handlooms is only of a transitional character. To call upon the consumer to pay as much as Rs. 30.84 crores more for his cloth and to deprive the exchequer of an amount almost equal to the wages earned by the additional weavers employed by the handloom industry, all for the sake of just providing transitional employment to a few thousands thus, is neither fair nor right.

The acceptance of the proposal made by the mill-owners in their memorandum to restrict handloom production to 2000 million yds. on the other hand, has the advantage of not only providing lucrative employment to 7000 people but also of enabling expenditure to be incurred on other national building activities which could easily absorb the remaining 63,000 workers who might have been employed by the handlooms had they been commissioned to produce 3200 million yds. Additionally, there is also the important factor that the consumer can raise his standard of living at a lower level of expenditure, which means that he could save the difference and invest it in Government loans to finance other nation building activities. Palliative measures may be necessary for a period to help a particular sector of the community. But even these, as the millowners' memorandum pertinently points out, should be such as to benefit the national economy and should definitely not be such as to penalise the common man and reduce his standard of living.

Bank of America

NATIONAL TRUST AND SAVINGS ASSOCIATION

Condensed Statement of Condition December 31, 1955
(Figures of Overseas Branches are as of December 23, 1955)

RESOURCES

Cash and Due from Banks	\$1,609,581,021.51
United States Government Securities and Securities Guaranteed by the Government	2,149,433,488.43
Federal Agency Securities	147,209,756.53
State, County, and Municipal Securities	576,145,111.55
Other Securities	101,279,432.42
Stock in Federal Reserve Bank	10,500,000.00
Loans Guaranteed or Insured by the United States Government or its Agencies	1,273,977,300.06
Other Loans and Discounts	3,453,984,172.54
Accrued Interest and Accounts Receivable	51,963,655.34
Bank Premises, Furniture, Fixtures, and Safe Deposit Vaults	87,145,920.50
Other Real Estate Owned	2,545,571.65
Customers' Liability on Account of Letters of Credit and Acceptances, and on Endorsed Bills and Notes	203,963,115.65
Other Resources	1,417,425.96

TOTAL RESOURCES \$9,669,145,972.13

LIABILITIES

Capital	\$150,000,000.00
Surplus	200,000,000.00
Undivided Profits	130,080,550.05
Reserves	5,767,846.25

TOTAL CAPITAL FUNDS \$ 485,848,396.30

Reserve for Possible Loan Losses	71,133,473.10
Demand	54,577,799,240.25

DEPOSITS 8,802,506,128.21

Savings and Time	4,224,706,887.96
Liability for Letters of Credit and as Acceptor of and Endorser on Acceptances, Bills, and Notes	205,235,881.78
Reserve for Interest Received in Advance	52,434,432.24
Reserve for Interest, Taxes, etc.	51,967,660.50

TOTAL LIABILITIES \$9,669,145,972.13

BANK OF AMERICA

(International)

Home Office—New York, N.Y.

Branches: Duesseldorf • Singapore • Paris

A wholly-owned subsidiary

Condensed Statement of Condition December 31, 1955

RESOURCES

Cash and Due from Banks	\$ 54,261,269.17
United States Government Obligations, direct and fully guaranteed	13,994,649.68
Other Securities	8,789,717.09
Loans and Discounts	76,970,419.74
Accrued Interest	391,184.45
Customers' Liability on Account of Letters of Credit and Acceptances, and on Endorsed Bills and Notes	78,746,528.53
Other Resources	913,282.50

TOTAL RESOURCES \$234,056,980.14

LIABILITIES

Capital	\$10,000,000.00
Surplus	4,000,000.00
Undivided Profits	708,686.09

TOTAL CAPITAL FUNDS \$ 14,708,686.09

Reserve for Possible Loan Losses	1,117,085.13
Deposits	137,309,776.27

LIABILITY for Letters of Credit and as Acceptor of and Endorser on Acceptances, Bills, and Notes 79,897,301.81

Reserve for Interest Received in Advance	323,516.18
Reserve for Interest, Taxes, etc.	900,606.66

TOTAL LIABILITIES \$234,056,980.14

Bank of America

NATIONAL TRUST AND SAVINGS ASSOCIATION

BANK OF AMERICA (INTERNATIONAL), New York
a wholly owned subsidiary

SERVING COMMERCE AROUND THE WORLD

OVERSEAS BRANCHES: London — Manila — Tokyo
Yokohama — Kobe — Osaka — Bangkok — Guam
Duesseldorf.

REPRESENTATIVES: New York — Mexico City — Milan
Paris — Zurich — New Delhi

Address inquiry to International Banking Department,
300, Montgomery Street, San Francisco, or contact
Bank of America, Representative Office, 90 Golf Links,
New Delhi.

BUSINESS NOTES

HIGHER EXPORT QUOTA FOR TEA

THE HIGHER export quota of 430 million lbs. of tea from the 1955 crop against 464.9 million lbs. in the previous year may afford some relief to the tea industry, which has been facing a near-crisis. But the measure cannot go far. In fact, tea circles are doubtful if even all the additional quota will be used, considering the none-too-encouraging foreign demand. Moreover, there are other fundamental problems to be tackled.

The year 1955 closed with a record production of tea in the world. For the small loss of production in Indonesia and Pakistan there have been marked rises in India, Ceylon, Africa and, possibly, in Formosa and Japan. There is no indication, however, that consumption too has been higher than in 1954. On the contrary, the possibility seems to be that 1955 may have closed with a world surplus of at least 80 million lbs. If the stock position means anything to the market, 1956 bids fair to be an anxious year for tea, reminiscent, perhaps, of the 1952 days. The supply problem is largely a question of whether another International Tea Agreement can be successfully negotiated.

Producers complain that the competitive power of India's second largest foreign exchange earner is gradually being destroyed by the unrealistic attitude of the Government. The budget of last February doubled the cess and introduced a slab system to determine the rate of export duty, based on the weighted average prices of Indian tea sold in the London auctions during the previous month. The present system of fixing the price of tea on the basis of the weighted London averages is defective, because the prices so fixed are not truly representative of the variations in tea prices here. The planters have strongly complained against this and, in fact, it was also voiced in the Export Advisory Council meeting two and half months back. The best method is to assess the world price of tea for determining the monthly rate of export duty by the combined average prices in London, Calcutta, and Cochin. Pakistan has been more modest in its exaction, though its export duty was doubled at the end of October. No export duty is levied by Indonesia, which, besides, is also granting an export premium of 10 per cent of the declared value in its efforts to assist the growers.

Though 1953 and 1954 were good years, the emphasis now is once again on quality teas which are maintaining their prices, while common teas are at a discount and may even have to be sold below the cost of production. In these circumstances, the restriction on the amount of tea to 140 million lbs. for direct export to London auctions is not quite helpful. Laudable as the objective undoubtedly is, there is no use shutting our eyes to facts and experience. The offtake from the Calcutta market is still not up to expectation. The failure of the Ceylon Government to enforce a similar policy in 1955 is an eye-opener. Only when Ceylon modified her policy to one of restricting the quantity of quality teas, but allowing releases of common teas without restriction, did the industry revive.

INDO-BURMA TEXTILE TRADE

THE BURMESE PURCHASE MISSION, which has been in this country with a view to "maintaining and developing the spirit of cordial co-operation between India and Burma for mutual benefit by establishing a sound and regular trade", to quote the spokesman of the Mission, has achieved its object in that it was able to purchase, among other things, nearly seven million yds. of textiles from this country. The total quantity of all tenders accepted by the Mission up to 10th February amounted to 6,967,308 yds. This, however, compares with nine million yds. which India exported to

Burma in July 1954. But one must be thankful for small mercies. For, the Burmese original plan was only to go in for 7.5 million yds. In view of the good response from Indian shippers, however, the Mission revised its idea of textile purchases from this country upwards and has since changed it to 11 million yds.

The Government of India has, as is only to be expected, been extremely helpful to the Burmese Purchase Mission in assisting the furtherance of trade between the two countries. While it has already announced its decision to grant a rebate in excise duty on cloth to be exported to Burma, it is since learned that the authorities are also likely to arrange for a special ship in order to facilitate prompt shipment.

Until very recently, India was the largest supplier of cotton textiles to Burma. Even in 1954, it supplied 40 million yds. (in 1953 it was more than double at 90 million yds.) but for the first quarter of 1955 it exported 10.03 million yds. It is only since August, 1954 that there has been an alarming decline in India's textile exports to Burma. An all-time low of Burmese offtake of Indian piecegoods was recorded in December, 1954, when only one million yds. of cloth was exported from this country.

The first blow to the import of Indian textiles into Burma was struck with the abolition of the preferential rate of customs duty, which Indian exports to Burma enjoyed up to October, 1953. When, thereafter, a uniform tariff replaced it, the price advantage that Indian exports were enjoying over Japanese exports was nullified and it became incumbent for Indian piecegoods to compete with those of Japan and the UK, our keenest competitors in the field. It is true there was a distinct improvement in our exports of textiles to Burma in the first two months of 1955, but this was followed by an unexpected setback again due to the sudden abolition of the OGL by the Government of Burma. This measure, however, proved to be a temporary hurdle, as Burma restored 50 per cent of the cut on imports of textiles in March.

Thanks to the efficient service rendered by the Textile Export Promotion Council, most of these defects have tended to disappear, if they have not disappeared altogether, and, what is more, steps have also been taken in hand to study consumer preferences in the same way as Japan and other competitors to our textile exports to Burma. In this connection, it may be recalled that a Trade Delegation sponsored by the Council undertook a study tour of Burma, Thailand, Malaya, Indonesia, and Ceylon in the middle of 1955.

If its recommendations regarding standardisation of bale packing, restriction on the quantity of two-part pieces in exports, the introduction of a standard contract form, and the appointment of resident salesmen in our export markets are fully implemented, then the present fortuitous deal with the Burmese Purchase Mission may well be consolidated.

AMERICAN CONSULTANTS FOR INDIAN RAILWAYS

THE AGREEMENT signed at Washington on February 10th last between the Government of India, the U.S. International Co-operation Administration and a New York firm of engineering consultants, Sanderson and Porter, to survey the existing and prospective facilities for the transport of traffic on Indian railways has a significant bearing on the expansion of railway transport in the second Five-Year Plan. It is now common knowledge that in the freight sector alone there will be an increase of over 50 per cent in traffic from the estimated volume of 120 million tons in 1955-56 to 181 million tons in 1960-61. The necessity to cut down the development outlay asked for by the Railway

Ministry for the second Plan by as much as 24 per cent threatens to create a large gap in the anticipated volume of traffic offering and the capacity of the railways to offer transportation facilities. Present hopes are pinned on the possibility of larger funds being placed at the disposal of the railways in the later stages of the Plan. Meanwhile, the Railway Ministry is in search of ways and means to achieve higher carrying capacity by rationalisation including intensive utilisation of equipment. Already the railways have attained higher operational efficiency which is a factor among others responsible for carrying 20 per cent more freight traffic in the last two years.

The eighteen consulting engineers, experts in different branches of railway operations, who will be deputed by Sanderson and Porter to this country next month for an investigation extending over about twenty months, have an assignment to examine every single aspect of railway working in this country. It is likely that while most of their recommendations will be endorsed straightaway by the Railway Ministry, some of the suggestions may require further scrutiny in which representatives of the incoming team will be among the participants. The dollar cost of the contract with this firm, accounted for mainly by salary and passage bills, will be borne by the US International Corporation Administration and is estimated to amount to Rs. 21.42 lakhs (\$450,000), while the rupee cost of the order of Rs. 3.33 lakhs (\$70,000), representing expenditure in this country, will be contributed by the Government of India. Under the technical co-operation agreement, the US has so far spent a total amount of Rs. 18.5 crores (\$38.8 million) for the Indian railways mainly for acquisition of rolling stock.

TRADE DEFICIT WIDENS

THE IDEA of preparing a foreign trade plan which Shri T. T. Krishnamachari, the Union Minister for Commerce and Industry, suggested at the last meeting of the Export Advisory Council takes added importance, now that India's trade deficit is mounting every year. Thus, the trade deficit, which was Rs. 24 crores in 1954, rose to Rs. 36 crores in 1955. Though the total value of exports at Rs. 595 crores was higher by about Rs. 32 crores than in the previous year, there was also a simultaneous rise in imports from Rs. 587 crores to Rs. 631 crores. This was because the import licensing programme in 1955 was more liberal, subject to its integration with industrial development of the country. Import quotas were thus stepped up for items needed for industry, or where domestic production fell short of the country's total consumption requirements. Also, greater facilities were accorded to imports from the dollar area. In absolute value and relative terms, plant and machinery imports were higher than in 1954. Simultaneously there was an upward trend in the import of industrial raw materials. With an even more ambitious programme of development over the period of the second Plan, this trend will continue.

The payments position on current account, however, seems to be virtually in balance and may even show a small surplus in 1955. This improvement, in spite of the heightened tempo of development in the country, is a measure of the growing strength of the economy and shows that net invisible receipts, both on private and Government accounts, are rising. Official donations are mainly under the Indo-American Technical Co-operation Agreement and the Colombo Plan.

Several of the important Indian exports, such as jute goods and manganese, are subject to sharp fluctuations of demand. Most of India's exports, including tea, jute and cotton textiles, have further to meet increasing competition from other countries. Although estimates of foreign exchange earnings and requirements over a period five years cannot be made without a large margin of uncertainty, the Planning Commission estimates that the balance of payments on current

account would show a total deficit of Rs. 1,100 crores over the next Plan period. This deficit has to be covered by external resources, including net private foreign investment and withdrawal from the accumulated foreign exchange reserves of the country. Every effort has, therefore, to be made to promote exports in view of the large foreign exchange requirements of the second Plan.

TOBACCO EXPORT

THE TOBACCO deal with China some time back doubtless served considerably to relieve the congestion in the godowns in Andhra, but the new Export Promotion Council for this commodity has no easy task. There is keen competition abroad and, unless we can sell good tobacco of the kind in demand in other countries, the export trade is bound to suffer. Already there is a fear in the minds of the growers that exports to the UK might suffer owing to the agreement between that country and the Rhodesian tobacco interests.

The Government has, in recent years, abolished or reduced duties on many commodities figuring in the export trade. If higher excise duties affect our competitive ability in the export markets, the position needs to be revised at least in so far as exports go. But this would appear to be doubtful because the Union Commerce and Industry Minister has indicated that the Government is only just beginning to tax tobacco on a rather liberal scale and that it would be some years before the limits of taxation are reached.

Two years the tobacco trade was in such a quandary owing to accumulation of stocks that the Government had to take extraordinary measures for the promotion of exports. Special Sales Officers have now been stationed in London, Antwerp and Hong Kong. Yet more remains to be done. One of these is the abolition of the practice of shipping tobacco on a consignment basis and the creation of a demand in foreign countries on the basis of firm orders in accordance with Agmark grades and fair prices. It is here that the Tobacco Export Promotion Council will be confronted with its most difficult problem.

BAN ON MUSHROOM JUTE UNITS

The Government of India's order imposing control on the production of jute textiles will be welcome for the reason that it aims at maintaining standards of quality. A Press Note issued in this behalf by the Commerce and Industry Ministry on February 14th last states that no one other than the owner of a jute mill, registered or licensed under the Industries (Development and Regulation) Act, 1951, will be allowed to manufacture jute textiles, either wholly or partly from jute, in any factory with the aid of power unless he obtains a licence for that purpose from the Jute Controller. This action was necessitated because quite a number of mushroom jute manufacturing units had sprung up which could successfully escape the clutches of law by keeping their capital investment below Rs. 1 lakh and their employment below 50 persons. Their unregulated production had impaired the reputation of Indian jute goods in the export market which has grown quality-conscious. Apart from preventing this injury to India's jute exports, it is likely to have certain ancillary effects. The pressure on raw jute supply will be eased marginally and in the current context this will be some gain. It is likely that the timing of unseiling the remaining 5 per cent looms which are still put out of production may possibly be advanced. Many of these units were potential purchasers of the old machinery and equipment which the large-scale jute factories are replacing. The loss of the ready market for such kind of machinery may now pose a problem for jute mills. Their handicap suggests that sympathetic treatment should be extended to them in the matter of tax relief on this score.

STEWARTS AND LLOYDS OF INDIA, LTD.

PUBLIC SERVICES

Air, Gas, Water and Sewage Mains

POWER

Steam Mains and Pipework Installations

OIL COUNTRY GOODS

Casing, Line Pipe and Tubing

TUBEWELLS

Casing, Drive Pipes, Liners and Housing Pipes

MINING

Compressed Air, Fire Fighting and Rising Mains

SHIP'S EQUIPMENT

Derricks, Davits and Masts

POLES

Tramway, Transmission, Lighting

SPECIAL USES

Ammonia Tubes, Coils, Hydraulic Tubes

STRUCTURAL

Light Structures of Tubular Construction

MECHANICAL HANDLING

Pallets, Stillages and Trolleys of Tubular Construction

TATA/S. & L. SALES LIMITED

GENERAL SERVICES

Screwed and Socketed Tubes, Class "A", "B" and "C" (Galvanized and Black) to B.S. 1387, up to 6" n.b., and Pipe Fittings

POWER

Cold Drawn, Hot Finished and Electric Resistance Weld Boiler Tubes

MECHANICAL

Seamless and Electric Resistance Weld Tubes for Rollers, Conveyors and other mechanical purposes

STEEL STRIP

High Tensile Steel Box Strapping and Cold Rolled Steel Strip for manufacturing purposes

Enquiries and Orders for Screwed and Socketed Tubes and Fittings Ex-stock may be Addressed Direct to our Warehouses

Head Offices:

41, CHOWRINGHEE ROAD, P.O. BOX 270,
CALCUTTA.

Telephone: 44-5224-5228 (5 Lines)

Branch Office and Warehouse:

18, FOSBERRY ROAD, SEWREE,
BOMBAY 15.

Warehouse and Works:

39, HIDE ROAD, KIDDERPORE,
CALCUTTA.

Telephone: 45-4561

ROHTAS INDUSTRIES LIMITED

NOTICE is hereby given that the Twentythird Ordinary General Meeting of the Shareholders of the Company will be held at the Registered Office of the Company at Dalmianagar, on Tuesday, the 20th March 1956 at 11-30 A.M. to receive and adopt the Directors' Report and the Audited Accounts for the year ended 31st October, 1955, to declare dividends, to elect Directors in place of the retiring Directors, to appoint auditors for the current year and fix their remuneration and to transact any other business that under the Articles of Association of the Company may be transacted at an Ordinary General Meeting.

Share Transfer Books of the Company will remain closed from 20th February, 1956 to 6th March, 1956 both days inclusive.

By order of the Board

SAHU JAIN LTD.,

Managing Agents

Calcutta,
8th February, 1956.

Dividends when declared will be payable to those shareholders whose names stand on the Register on 6th March, 1956.

THE BANK OF INDIA LIMITED.

(Established 7th September, 1906.)

CAPITAL SUBSCRIBED Rs. 5,00,00,000
CAPITAL PAID-UP " 2,50,00,000
RESERVE FUND " 3,52,00,000

Head Office:

MAHATMA GANDHI ROAD, FORT, BOMBAY.

BRANCHES IN INDIA:

AHMEDABAD	Kalbadeli	JUNAGADH
Bhadra (Main Office)	Malabar Hill	KOZHIODE
Ellis Bridge	23B Netaji Subhas Road (Main Office)	MADRAS
Gandhi Road	Bara Bazar	NAGPUR
Manek Chowk	Chowringhee	Kingsway
Station Branch	Square	Itwari Bazar
AMRITSAR	COIMBATORE	NEW DELHI
BANGALORE	DELHI	PALANPUR
BHUJ (Kutch)	GANDHIDHAM	POONA
BOMBAY	(Kutch)	POONA CITY
Andheri	HVDERABAD	RAJKOT
Colaba	(Deccan)	SHOLAPUR
Bullion Exchange	JAMSHEDPUR	SURAT
VERAVAL		

FOREIGN BRANCHES:

LONDON—17, Moorgate, London, E.C.2.
ADEN, DAR-ES-SALAAM, JINJA, KAMPALA,
KARACHI, MOMBASA, NAIROBI, OSAKA,
SINGAPORE, TOKYO.

DIRECTORS:

SIR COWASJEE JEHANGIR, Baronet.

G.B.E., K.C.I.E. (Chairman)

Mr. AMBALAL SARABHAI.

SIR JOSEPH KAY, K.B.E.

Mr. DINSHA K. DAI.

Mr. RAMNIWAS RAMNARAIN.

Mr. BHAGVANDAS CHUNILAL MEHTA.

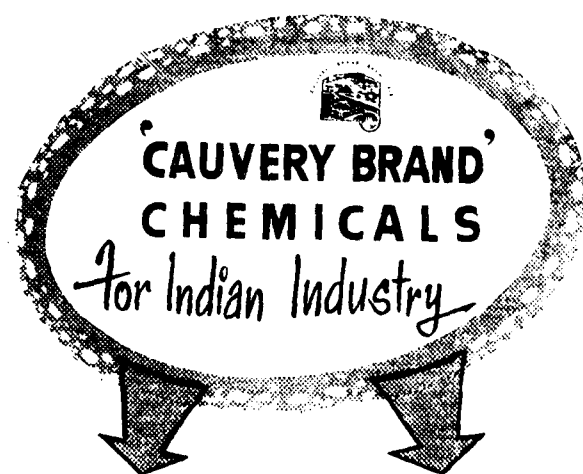
Mr. KRISHNARAJ M. D. THACKERSEY.

Mr. A. D. SHROFF.

Mr. MADANMOHAN MANGALDAS

EVERY DESCRIPTION OF BANKING
BUSINESS UNDERTAKEN.

D. R. THOM, General Manager.



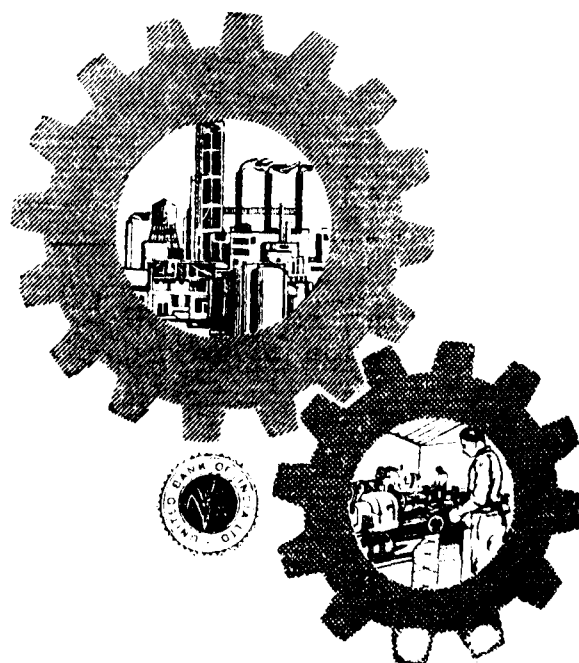
CAUSTIC SODA **HYDROCHLORIC ACID**
LIQUID CHLORINE **FERRIC CHLORIDE**
BLEACHING POWDER **BURNT LIME**
SLAKED LIME **CALCIUM CHLORIDE**

CAUVERY BRAND Chemicals are always dependable, always consistent in quality. If you are in a business which uses chemicals, it will be to your advantage to consult us.

THE METTUR CHEMICAL & INDUSTRIAL CORPORATION LTD.

Mettur Dam, R.S. Salem Dt.
 Managing Agents: **SESHASAYEE BROTHERS LTD.**

INDUSTRY AND THE BANK..



United Bank of India Ltd.

HEAD OFFICE: 4, CLIVE GHAT STREET.

CALCUTTA-I.

Delhi Offices: CHANDNI CHOWK, DELHI
 CONNAUGHT CIRCUS, NEW DELHI.

COMPANY AFFAIRS

SCINDIA STEAM NAVIGATION COMPANY LTD.

The working results of the Scindia Steam Navigation Company during the year to June, 1955 reflect the several difficulties that troubled the coastal and overseas shipping of India during the year. Due to causes like delays to ships in ports and reduction in freights on certain commodities the freight earnings declined from Rs. 842.82 lakhs in 1953-54 to Rs. 829.90 lakhs in 1954-55, though cargo carried showed a slight increase from 19.11 lakh tons to 19.59 lakh tons. Freight and passage income fell from Rs. 917.87 lakhs to Rs. 838.22 lakhs and profits (after providing for depreciation and debenture sinking fund) from Rs. 23.45 lakhs to Rs. 22.73 lakhs. The dividend, however, is proposed to be maintained at As. 8 per share of Rs. 20 paid-up (i.e. 2½ per cent).

The Directors point out that, during the year under review, the conditions of cargo working showed further deterioration due to continued slow working of port and shore labour and congestion at various ports. There was also unexpected detention of rice loaders at Rangoon due to heavy rejections of cargo by the inspecting officers. Some of the ships were delayed at the UK ports and had to be diverted to the Continent owing to the dockers' strike. The costs of stevedoring and other cargo working expenses and marine dues showed further rise, especially at Calcutta, owing to the marked "go slow" of labour and at Madras, owing

to enhancement of wages and introduction of decasualisation of stevedore labour.

The paid-up capital of the Company is Rs. 9.40 crores. Besides, the Company has total reserves and surplus aggregating Rs. 6.52 crores. The value of fleet at cost is Rs. 14.92 crores, against which depreciation of Rs. 4.34 crores has been provided. The Company has a debenture liability of Rs. 4.27 crores, against which a sinking fund totalling Rs. 71.93 lakhs has been built up. The Company's investments in subsidiaries and associated companies (at cost) amount to Rs. 3.84 crores of which Rs. 1.43 lakhs are in the shares of the Eastern Shipping Corporation and Rs. 104.25 lakhs in the shares of the Hindustan Shipyard.

Modernisation of the Company's overseas fleet is speeding up. The Directors have ordered in Germany further six ships, each of 9,500 tons deadweight with a speed of 17 knots. Three of these ships are due for delivery in the second half of 1956 and the other three in the first half of 1957. The Company has also ordered one ship of about 3,300 d.w. tons for the West Coast trade. On completion of the present tonnage programme, the total loans from the Government in respect of the eight overseas ships ordered from Germany will be of the order of Rs. 8½ crores.

The financial position of the Company at the end of the year under review, as also in the previous accounting period, is given below:

(Amounts in '000 rupees)

Year Ended	RESERVES*									
	Paid-up Capital	Debentures	Fleet Re- placement	Depreciation on Fleet	Other Re- serves†	Current Liabilities	Fleet at Cost	Other Assets	Net Profit‡	Dividend Amount and Percentage
30-6-53	9,40.20	4,26.57	2,59.78	4,34.44	5,51.88	3,42.55	14,91.85	16,75.34	22.73	23.47 (2½%)
30-6-54	9,40.20	4,38.70	2,47.24	3,71.00	5,33.77	3,69.84	12,43.00	16,69.51	23.45	23.47 (2½%)

* Include appropriations from the year's profit.

† Include premium on shares.

‡ After providing for depreciation and taxation.

THE PUNJAB NATIONAL BANK LTD.

Subject to audit, the working of the Punjab National Bank Ltd., for the year ended December 31, 1955, shows the deposits of the Bank as on December 31, 1955, at Rs. 90 crores, indicating an increase of over Rs. 14 crores or about 19 per cent over the deposits a year earlier. The increase in deposits during the year 1954 amounted to Rs. 10.33 crores or 15.8 per cent. The profits of the Bank for the year, including Rs. 4.99 lakhs brought forward from the previous year's account, amount to Rs. 73.6 lakhs, showing an increase of Rs. 16.7 lakhs over the profits of the year 1954. The Bank opened 14 more offices during the year under review, bringing the total number of its offices in the country to 326.

provision for liabilities and setting aside Rs. 4,000 to development and extensions account, there remains a balance of Rs. 10,142, including Rs. 2,680 brought forward from the previous half-year, available for distribution, and this the Directors recommend to be disposed of as follows:

Payment of a dividend at the rate of 5 per cent per annum free of income-tax for the half-year	Rs. 7,500
Carrying forward to next half-year	Rs. 2,642

SAUGOR ELECTRICITY SUPPLY CO., LTD.

The audited account of the Company for the half-year ended June 30, 1955, show that, after making

TOTAL Rs. 10,142

MIGHTY NBC STEEL BALLS

These small, brilliantly-finished objects do the work of a giant. The entire weight of your automobile or bicycle is quite literally borne by them.



SMOOTH WORKING WITH

NBC

STEEL BALLS

NATIONAL BEARING CO., LTD. JAIPUR, RAJASTHAN

Sub Distributor for Delhi & Punjab.
 M/s. Federal Sports, 10, Esplanade Road, Delhi.



INDIA STEAMSHIP CO., LTD.

Our Fleet
 S. S. INDIAN PIONEER
 S. S. INDIAN TRADER
 S. S. INDIAN SHIPPER
 S. S. INDIAN IMPORTER
 S. S. INDIAN RENOWN
 S. S. INDIAN ENDEAVOUR
 S. S. INDIAN EXPORTER
 S. S. INDIAN NAVIGATOR
 S. S. INDIAN MERCHANT
 S. S. INDIAN COMMERCE
 S. S. INDIAN RELIANCE

Calling at:-
 PORT SUDAN, PORT SAID, ALEXANDRIA,
 LONDON, LIVERPOOL, DUNDEE,
 ANTWERP, ROTTERDAM, HAMBURG,
 BREMEN, and other ports.

Regular cargo service between INDIA-U.K.-CONTINENT and also INDIAN COASTAL service

Managing Agents: **LIONEL EDWARDS LTD.,** D-1, CLIVE BUILDINGS, CALCUTTA-1.

THE RAMAYANA OF TULSIDAS IN ENGLISH VERSE

LATEST "HINDUSTAN TIMES" PUBLICATION

The famous Hindi epic regarded by many as "the greatest book in all devotional literature" is for the first time now available in English verse.

The translator, the Rev. A. G. Atkins, completed the book after ten years of devoted work. He has tried "to keep and express in English in the fine rhythm and music of the original in simple lucid language, and with as much of the vivacity, wit and picturesqueness that Tulsidas has put into his work." He has also followed in some measure Tulsidas's metrical variations such as *chhand*, *chaupal*, *doha* and *soratha*.

In a foreword Mr C. Rajagopalachari says: "Mr Atkins' monumental work and his Introduction are a revelation of hope for those who desire to see all the great religions of mankind come together. His service is not only to English-speaking people but also to that very large number of Hindus in India who do not speak the Hindi language and to whom English has become a very familiar medium."

The book is of special value to libraries, scholars and devotees of Tulsidas.

It has been issued in the following four editions:

- I. Original text of Tulsidas with translation in English verse; three volumes; 1468 pages; price Rs. 50 net.
- II. Translation in English verse; without Hindi text, two volume; 898 pages; price Rs. 40 net.
- III. Special tissue paper edition of I, one volume, price Rs. 100 net.
- IV. Special tissue paper edition of II, one volume, price Rs. 100 net.

POSTAGE EXTRA

The Manager,

THE HINDUSTAN TIMES,
NEW DELHI.

COMMODITY NEWS AND NOTES

COTTON EXPORTS

Recently there has been a spurt in cotton exports. The following table showing actual shipments of raw cotton from India to various countries during the period September 1, 1955 to January 21, 1956 may, therefore, be of interest.

Country:	1955-56	1954-55
	(In bales of 400 lbs.)	
Japan	116,587	39,736
Continent	58,655	15,252
UK	32,559	7,207
China	34,651	..
Hong Kong	24,237	1,383
USA	2,505	7,699
Other Countries	2,235	760
TOTAL	271,469	72,037

Japan still continues to top the list with her offtake of 116,587 bales against 39,736 bales last season, while the Continent and the U.K. follow with their offtake of 58,655 bales and 32,599 bales against 15,252 bales and 7,207 bales respectively. China though has come recently in the market lifts 34,651 bales. Compared with the last period there was an increase of nearly 200,000 bales in total exports in this five month period.

COTTON TARGET FOR SECOND PLAN

Dr. Punjab Rao Deshmukh, Union Minister for Food and Agriculture declared in Bombay recently that a provisional target of 55.88 lakhs has been fixed for cotton production in the second Five-Year Plan. It was further revealed while addressing the 73rd meeting of Indian Central Committee that the bulk of the increase in production contemplated would have to be achieved by resorting to extensive cultivation methods. An increase in production of cotton of staple length is also contemplated so that imported type of cotton could be replaced.

The target fixed for the area of cotton production under the first Five-Year Plan was achieved one year ahead of schedule. This increased cotton production has been followed by upward trend in the offtake of Indian cotton by mills in the country, resulting therein a huge benefit to the national economy. The consumption of Indian cotton by mills during September, 1955, amounted to 3.83 lakh bales.

COTTON PLANS FOR 1956-57

Plans for 1956-57 fixing the targets of acreage and production of cotton at 18.8 million acres and 45.5 lakh bales respectively for all-India have been approved by the Indian Central Cotton Committee. Large representation on the Committee proposed to be given to cotton growing interest in the different states has been welcomed. The Committee endorsed the recommendation of the policy sub-committee regarding the desirability of publication of a monograph on cotton and a sub-Committee has been appointed for that purpose. The Committee at its recent meeting also approved the recommendation for the establishment of five regional cotton research stations and appointed a sub-Committee to go into the question of the location of these stations.

EXPORT OF PULSES

The Government of India has decided to allow export of pulses, gram and gram flour against pre-ban commitments in the cases of (i) firms which have filed the shipping bills complete in all respects as required, (ii) firms which are able to produce valid firm sale

contract concluded and supported by a letter of credit opened up to February 7, 1956, or (iii) firms which are able to produce evidence of sale in the nature of cable offer and cable acceptance received up to February 7, 1956.

A notification issued in this connection by the Joint Chief Controller of Exports, Bombay, says that shipment against the pre-ban commitments will be allowed up to the end of June 1956 only and no extension will be granted under any circumstances. The notification also adds that cases of pre-ban commitments which are not covered by the above procedure, will be considered on the merits of each individual case.

Fresh export of pulses including gram and gram flour was banned by the Government with effect from February 7, 1956.

ALL-INDIA FIRST ESTIMATE OF RAPE AND MUSTARD, 1955-56

The all-India first estimate of rape and mustard for the year 1955-56 puts the current year's area at 2,403,000 acres as against the adjusted first estimate of 2,374,000 acres for 1954-55. This shows an increase of 29,000 acres or about 1 per cent in area over last year. The increase in acreage under rape and mustard during the current year has occurred mainly in PEPSU, Punjab and Rajasthan due generally to favourable weather conditions at the sowing time. This increase, however, been reduced to some extent by the decrease reported mainly by Bihar. The information given in this estimate relates generally to the period up to the middle of December, 1955. Past experience has shown that the area in the first estimate forms roughly 40 per cent of the area under the crop finally reported.

WORLD TIN CONSUMPTION

World tin consumption during September 1955, was over 2 per cent higher than in the previous month, 12,000 tons compared with 12,600 tons in August. The US share rose slightly to 5,330 tons and became the largest monthly total since January 1951. Stocks excluding strategic stock piles again increased during August and by the end of the month were standing at 65,600 tons as against 65,300 tons on July 31, 1955.

IMPORT OF TURMERIC

The East Bengal Government will import from India turmeric (haldi) worth Rs. 10 lakhs. The decision to import turmeric from India is a sequel to discussions held by Syed Azizul Huq, Commerce Minister, East Bengal, with the Central Commerce Minister at Karachi recently. The price of turmeric in East Bengal has gone up very much due to meagre imports. The prevailing turmeric price in the province is Rs. 6 to Rs. 7 per seer.

BAN ON EXPORT OF WHEAT PRODUCTS

The Government of India have reviewed the policy regarding the export of wheat products (atta, maida, sooji and rawa) and in view of the rising trend of wheat prices, it has been decided to ban export of these wheat products outside India with immediate effect.

JUTE PRODUCTION IN U.P.

The U.P. Government proposes to raise jute production in the State to 1.0 lakh bales, an additional production of 45,000 bales by 1960-61. Efforts will be made to improve the quality of jute. U.P., though not a jute producing state, has made a substantial contribution to the growth of jute. During 1950-51, the production of jute in the State was 48,000 bales as against 65,000 bales last year.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

		Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50 = 100)				
		Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.	
1947-48	..	306.1	377.5	281.6	286.4	456.2	308.2	..	..	..	..	..
1948-49	..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..	..
1949-50	..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..	..
1950-51	..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..	..
1951-52	..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..	..
1952-53	..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..	..
1953-54	..	384.4	467.7	359.2	367.4	686.6	397.5	90.1	100.6	87.3	95.6	..
1954-55	..	339.8	436.2	350.3	377.3	612.4	377.4	90.5	100.7	88.4	113.6	..
April 1955	..	283.6	398.6*	327.8	377.1*	541.2	345.4*	90.5	100.6	87.5	115.4	..
May	..	276.1	396.4	329.6	374.6	543.6	342.0	90.7	100.7	87.8	112.9	..
June	..	281.8*	390.4	329.7*	370.0	567.4*	342.5*	90.8	100.6	87.5	113.2	..
July	..	309.7*	408.1*	329.6	370.9*	562.6*	355.6*	90.9	100.7	87.8	117.9	..
August	..	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.8	122.8	..
September	..	313.0	396.1	324.8*	368.8	556.3	353.2	90.9	100.7	87.2	122.8	..
October	..	316.7	403.7*	329.8	371.2	559.3	357.2*	91.0	100.7	87.2	124.5	..
November	..	324.6	418.9*	338.1	373.3	543.3*	365.0*	91.0	101.0	87.7	129.9	..
December	..	323.7*	438.3	346.6	373.0	544.2	368.4	91.0	101.0	87.7	130.6	..
January 1956	..	333.2	455.6	351.6	378.2	539.8	375.8	91.0	101.0	87.3	125.7	..
Week Ending 31-12-1955	..	327.4	454.7	351.4	373.6	547.5	373.4	91.1	101.1	87.6	128.0	..
7-1-1956	..	331.3	457.4*	351.9*	375.6	548.7	376.8	91.1	101.1	87.5	126.8	..
14-1-1956	..	333.8	455.2	352.4	375.8	538.4	376.1	91.1	101.1	87.3	126.8	..
21-1-1956	..	333.6	452.0	354.4	374.4	536.6	375.6	91.1	101.1	87.2	126.8	..
28-1-1956	..	333.7	457.3	347.6	374.9	536.2	375.3	91.1	101.1	87.1	123.6	..

†Economic Adviser's Series.

* Average of weeks.

††Reserve Bank Series.

*Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS (August 1939=100)

Period	Bombay			Delhi		Bengal	U. P.	Central Provinces			Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100	Ahmedabad July 1927 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936 = 100	Ludhiana†	Jamshedpur†			
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—	—	104
1940	288	303	243	132	339	471	372	146	309	168	138	—	—	138
1941	292	307	248	132	348	478	377	161	323	164	138	—	—	139
1942	298	313	257	132	349	478	377	163	326	165	145	—	—	144
1943	314	330	261	142	370	461	391	168	334	167	160	—	—	141
1944	321	337	260	143	351	441	380	160	330	161	154	—	—	145
1945	346	363	275	140	349	453	387	161	351	147	156	—	—	146
1946	342	359	244	138	327	408	373	139	341	148	140	—	—	138
1947	322	338	218	130	—	—	—	—	321	—	—	—	—	—
1948 April	324	340	205	126	311	352	353	130	314	129	129	—	—	128
May	320	336	204	122	315	335	351	128	307	131	129	—	—	127
June	317	333	211	123	317	347	359	131	311	131	129	—	—	130
July	324	340	224	129	325	371	364	136	316	134	134	—	—	132
August	325	341	220	134	329	375	364	137	318	136	138	—	—	134
September	317	333	224	133	327	373	—	132	322	138	137	—	—	132
October	315	331	225	134	334	385	—	—	323	—	—	—	—	—
November	314	330	220	136	330	392	—	—	327	—	—	—	—	—
December	312	332	230	140	—	—	—	—	334	—	—	—	—	—
1956 January	—	—	—	—	—	—	—	—	334	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	11-2-1956			4-2-1956			28-1-1956			21-1-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
	97-5	95-4	96-5	95-9	94-6	95-0	96-14	94-15	96-0	96-1	95-2	95-9
Gold (per fine tola)	..	..	..	..	..	..	..	..	..	..	..	..
Silver (per 100 fine tolas)	176-5	172-13	174-5	175-1	172-10	174-0	178-4	174-14	176-5	178-1	176-4	177-5

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupce Coin	Rupce Securities	Total Assets
1938-39*	182,36	28,28	210,64	44,42	66,95	111,37	52.91	67,11	32,16	210,64
1947-48*	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49*	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,02	1,253,86
	(5,58)	(—)	(5,58)					(90)		(5,58)
1949-50*	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51*	1,163,21	17,19	1,180,40	40,02	624,70	664,72	56.31	57,21	458,47	1,180,40
1951-52*	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53*	1,114,84	27,87	1,142,72	40,02	564,40	604,42	52.89	80,22	458,08	1,142,72
1953-54*	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55*	1,197,05	22,98	1,219,17	40,02	648,90	688,92	56.47	102,25	428,61	1,300,17
Average of Fridays	1,324,56	17,97	1,340,03	40,02	652,04	692,06	51.65	104,33	543,65	1,340,03
June	1,306,93	29,34	1,336,28	40,02	646,04	686,06	51.34	105,87	543,65	1,336,28
July	1,299,00	26,50	1,325,50	40,02	633,29	673,29	50.79	108,24	543,69	1,325,50
August	1,290,78	23,49	1,314,27	40,02	608,82	648,84	49.33	110,51	494,93	1,314,27
September	1,303,25	10,97	1,314,22	40,02	632,07	672,08	51.09	110,95	531,18	1,314,22
October	1,327,06	14,27	1,341,33	40,02	642,08	682,09	50.85	109,38	549,84	1,341,33
November	1,350,04	10,13	1,360,17	40,02	662,98	702,99	50.95	108,56	548,61	1,360,17
December	1,384,06	16,67	1,400,73	40,02	679,49	719,52	51.37	106,52	574,69	1,400,73
January 1956	1,385,71	11,60	1,397,36	40,02	691,91	731,93	52.38	106,83	558,55	1,397,36
Week Ending	1,388,75	13,00	1,401,75	40,02	691,91	731,93	52.22	106,31	563,52	1,401,75
6-1-1956	1,382,71	19,11	1,401,83	40,02	667,07	707,09	50.44	106,39	588,36	1,401,83
13-1-1956	1,379,07	22,99	1,402,04	40,02	667,07	707,09	50.43	106,60	588,36	1,402,04
20-1-1956	1,392,37	8,46	1,400,82	40,02	652,14	692,16	49.41	105,38	603,27	1,400,82
27-1-1956	1,392,37	8,46	1,400,82	40,02	652,14	692,16	49.41	105,38	603,27	1,400,82

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14,90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	90
1947-48*	3 66,79	16,93	102,47	34,21	520,40	14,55	544,96	47,24	2,62	406,95	1,57	21	81,53	4,85
1948-49*	222,17 (14,33)	6,62 (3,04)	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71 (1)	3,34	75,65	4,14
1949-50*	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	960,54	4,34
1950-51*	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2,37	6,77	76,72	5,06
1951-52*	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53*	136,40	7,79	52,69	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	99,77	12,83
1953-54*	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	18,64	81,58	7,61
1954-55*	89,13	20,66	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	26,55	80,52	9,82
Average of Fridays														
March ..	58,81	37,71	47,51	21,84	165,87	29,58	205,45	12,54	8,59	70,73	95	42,26	51,67	21,03
April ..	56,47	36,38	47,74	22,05	182,55	32,79	205,34	18,59	11,96	69,30	51	36,73	45,26	22,92
May ..	52,9	17,90	48,89	22,08	141,84	38,25	190,08	15,28	11,46	51,97	80	40,22	41,51	28,76
June ..	55,64	12,33	50,02	21,89	139,88	43,80	194,44	18,10	12,78	63,67	100	28,61	39,55	29,98
July ..	76,93	17,83	50,62	19,03	164,40	32,13	206,52	29,47	9,53	69,84	88	32,44	58,34	6,02
August ..	87,33	20,66	51,35	20,28	179,12	30,62	219,74	26,64	9,90	86,25	1,92	25,04	62,18	7,74
September ..	80,36	18,28	55,51	16,91	151,06	21,26	182,32	23,63	13,68	51,57	1,02	28,64	52,13	11,65
October ..	60,15	23,59	61,12	15,97	160,84	25,92	186,76	11,10	9,30	72,93	76	20,52	50,24	12,17
November ..	54,93	14,81	58,52	15,46	143,57	29,71	183,43	14,40	7,37	80,45	2,22	24,17	50,09	12,21
December ..	54,13	8,44	57,88	15,97	136,01	34,76	181,17	10,25	8,11	63,93	3,97	31,67	50,49	12,76
January 1956	53,56	12,51	59,90	17,49	142,53	48,77	193,81	16,82	9,33	56,74	2,82	43,77	51,13	13,21
Week Ending														
6-1-1956	54,01	9,73	51,79	15,62	131,24	38,09	179,33	11,71	11,83	43,40+	4,11	44,68	50,51	13,09
13-1-1956	54,11	8,46	56,06	15,83	131,47	51,14	182,61	13,12	13,70	43,96+	3,58	43,48	51,59	13,18
20-1-1956	52,11	13,38	67,51	21,41	152,60	55,06	207,66	19,26	6,89	72,55+	1,82	42,59	51,24	13,81
27-1-1956	54,02	18,47	65,24	17,10	154,83	50,82	205,65	23,12	4,92	67,05+	1,79	44,33	51,17	13,27
3-2 1956	52,88	14,40	63,23	15,80	146,31	52,28	208,59	8,56	2,57	81,41+	2,52	49,62	50,38	13,54

SCHEDULED BANKS

(Rs. in Lakhs)										
Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5 + 6) as percent- age of (4)	Advances	Bills Discount- ed	(8 + 9) as per- centage of (4)	Invest- ments in Govt. Securities in India
	Demand	Time	Total (2 + 3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39*	123.81	103.30	227.11	6.38	15.88	9.80	111.34	460	51.05	..
1947-48*	706.65	343.89	1,050.54	39.92	100.81	13.40	427.54	16.82	42.30	..
1948-49	674.56	303.88	978.44	57.51	76.63	11.67	424.85	16.44	45.10	..
1949-50	597.79	272.59	870.38	34.47	65.85	11.53	426.74	15.35	50.79	..
1950-51	599.13	278.45	877.59	34.68	60.78	10.88	447.03	11.87	52.29	..
1951-52	593.73	290.82	884.55	37.33	57.29	10.76	523.59	22.81	63.06	303.49
1952-53	546.23	309.26	855.49	33.33	51.82	9.95	461.64	38.47	60.48	308.34
1953-54	526.75	328.26	855.00	31.97	44.48	8.98	442.79	51.40	59.56	321.29
1954-55	559.62	351.86	911.48	32.66	53.91	9.50	468.39	84.66	62.08	339.74
Average of Fridays										
July 1955	600.22	403.14	1,003.36	33.80	49.01	8.30	499.61	110.56	62.73	362.67
August	603.00	409.09	1,014.08	34.15	49.19	8.22	495.96	110.80	61.76	373.92
September	604.02	413.69	1,017.87	33.22	54.14	8.58	498.19	106.18	61.15	361.86
October	612.82	422.95	1,035.77	33.98	59.64	9.94	484.87	105.51	59.24	390.42
November	612.61	423.85	1,036.46	35.22	57.05	8.90	491.93	105.00	59.79	393.43
December	613.68	422.24	1,035.92	38.93	58.38	9.39	503.02	107.60	61.04	390.56
January 1956	638.02	411.70	1,049.72	36.96	56.92	8.94	533.75	130.85	64.21	382.55
Week Ending										
30-12-1955	614.48	418.40	1,320.88	38.06	60.17	9.51	616.73	114.72	62.15	385.05
6-1-1956	614.62	413.33	1,027.96	38.27	60.48	8.63	526.99	125.01	61.24	382.93
13-1-1956	633.11	412.51	1,045.62	35.95	51.92	8.40	533.09	129.96	64.32	381.92
20-1-1956	655.46	411.08	1,066.54	36.28	63.23	9.33	531.74	131.06	63.36	381.60
27-1-1956	648.88	409.88	1,058.76	37.32	62.04	9.38	543.19	134.10	64.89	381.77

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY

(Lakhs of rupees.)

Last Friday	Money supply	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Total deposits with Reserve Bank (exclu- ding those of central Govt. & Banks)	
1	(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1952-53	1,784.55	1,199.25	585.30	548.95	36.35	-44.30
1953-54	1,856.57	1,229.43	627.14	549.83	77.30	+72.02
1954-55	1,980.90	1,311.77	669.13	599.18	69.97	+124.33
November 1954	1,807.86	1,188.45	619.40	591.39	28.01	+10.59
December	1,848.89	1,224.61	624.28	597.20	27.08	+41.03
January 1955	1,877.73	1,245.91	631.82	601.04	30.78	+28.84
February	1,915.34	1,272.35	643.00	610.04	32.96	+37.61
March	1,980.90	1,311.77	669.13	599.16	69.97	+66.56
April	2,003.14	1,342.90	660.23	614.26	45.98	+22.24
May	1,989.50	1,348.41	641.09	616.96	24.12	-13.64
June	1,988.42	1,343.74	614.67	623.43	21.24	-108
July	1,974.91	1,324.80	619.53	632.86	30.58	-13.51
August	1,995.61	1,314.74	680.88	632.86	48.02	+20.76
September	1,965.46	1,309.69	654.71	632.36	23.35	-25.17
October	2,008.46*	1,331.13*	677.36*	636.00*	41.35	+21.65*
November	2,014.17*	1,351.54*	663.23*	639.99*	23.24	-14.13*
December	2,054.70*	1,389.97*	664.73*	642.96*	21.77	+1.60*

* Provisional.

Source: Monthly Bulletin of Reserve Bank

MONTHLY STATISTICS
(Monthly Averages or Calendar Months)

		1951	1952	1953	1954	1955			
						July	August	September	October
I Foreign Trade									
By Land, Sea & Air—									
Imports (Rs. lakhs)	..	71.20	67.28	48.82	50.27	51.62	46.42	51.21	51.79
Exports (Rs. lakhs)	..	65.30	51.54	44.28	46.92	51.89	51.24	57.17	47.39
ii Unit Value Index—									
(1952-53=100)									
Imports	..	101	100	92	89	87	88	91	89
Exports	..	134	100	93	106	106	97	91	92
iii Quantum Index—									
(1952-53=100)									
Imports	..	146	100	92	98	415	94	101	104
Exports	..	90	100	100	103	115	122	131	107
II Industrial Production									
i Cotton Cloth	..	340	383	409	422	446	415	435	437
(Million yards)									
ii Cotton Yarn	..	109	121	126	130	143	137	143	145
(Million lbs)									
iii Jute Manufactures	..	73	79	72	77	84	82	87	79
(000 tons)									
iv Steel (Ingots & Castings)	..	125	132	126	140	138	143	136	131
(000 tons)									
v Paper and paper boards (tons)	..	10,993	11,459	11,642	12,944	15,097	16,390	16,243	15,926
vi Sulphuric Acid	..	178	160	182	252	283	..	..	..
(000 cwts)									
vii Index of Industrial production	..	117	129	135	147	159	156	167	161
(1946=100)									
III Fuel and Power									
i Coal Production	..	2,859	3,019	2,987	3,668	2,956	3,119	3,378	3,086
(000 tons)									
ii Coal Despatches	..	2,435	2,566	2,588	2,662	2,756	2,880	..	..
(000 tons)									
iii Electricity Generated	..	488	516	559	626	725	709	719	721
(Million kwh)									
iv Electricity Sold	..	399	420	455	508	583	574	..	..
(Million kwh)									
IV Industrial Disputes:									
Number of man days lost (000)	..	318	278	282	281	681	519	567	133
V Employment Exchanges:									
i Number on register at the end of the period	..	329	438	522	562	666	684	694	695
(000's)									
ii Number of vacancies outstanding at the end	..	22	23	21	14	35	35	36	43
of the period (000's)									
VI Inland Transport:									
i Railway Freight Ton Miles	..	2,336	2,372	2,447	..	..	..	..	..
(Millions)									
ii No. of Wagons loaded	..	569	581	570	660	609	614	..	..
VII Public Finance: (Central Govt.)									
i Revenue Receipts (Rs. Lakhs)	..	42.59	36.12	34.53	37.55	31.77	52.07	53.84	..
ii Import Duties (")	..	11.31	10.67	9.60	10.74	..	..	..	..
iii Export Duties (")	..	6.84	5.64	3.58	2.98	..	..	..	..
iv Central Excise (")	..	7.66	6.74	7.56	8.31	..	..	..	..
v Expenditure on (")	..	18.10	18.05	18.43	19.84	15.67	..	..	..
Revenue Account									
vi Cash Balances with Reserve Bank	..	210	175	110	55	80	105	..	..
(Rs. Crores) *									
vii Money Supply Rs. Crores **	..	18.22	17.23	17.15	18.48	19.75	19.66	19.65	20.08

** December figures for 1951, 1952, 1953 and 1954.

* Last Friday Figures.

THE SECOND FIVE-YEAR PLAN

PLAN OUTLAY BY MAJOR HEADS OF DEVELOPMENT

	First Five-Year Plan		Second Five-Year Plan	
	Total Provision (Rs. Crores)	Per Cent	Total Provision (Rs. Crores)	Per Cent
I. Agriculture and Community Development	372	16	565	12
(a) Agriculture*	282	12	365	8
(b) National Extension and Community Development	90	4	200	4
II. Irrigation and Power	661	28	898	18
(a) Irrigation and Flood control	395	17	458	9
(b) Power (including small town and rural electrification programmes)	266	11	440	9
III. Industries and Minerals	179	7	891	19
(a) Large-Scale Industries, Scientific Research and Minerals	149**	6	691	15
(b) Village and Small-Scale Industries	30	1	200	4
IV. Transport and Communications	356	24	1384	29
(a) Railways	268	12	900	19
(b) Roads and Road Transport Schemes	146	6	265	6
(c) Shipping, Ports and Harbours and Inland Water Transport	58	2	100	2
(d) Post and Telegraphs, Civil Aviation, Broadcasting and other Communications	84	4	119	2
V. Social Services, Housing and Rehabilitation	547	23	946	20
(a) Education	169	7	320	7
(b) Health (including water supply and sanitation programmes)	140	6	267	6
(c) Labour and Labour Welfare, Welfare of Backward classes and Scheduled Tribes and Social Welfare	39	1	149	3
(d) Housing	63	3	120	2
(e) Rehabilitation	136	6	90	2
IV. Miscellaneous	41	2	116	2
TOTAL	2356	100	4808	100

* Includes provision for local development works also.

** This excludes the provision for the expansion of the Chittaranjan Locomotive Works, the Integral Coach Factory and the Indian Telephone Industries. The provision for the National Industrial Development Corporation (NIDC) and other finance corporations and for direct assistance to industries is included here.

NET NATIONAL PRODUCT BY INDUSTRIAL ORIGIN

(Rs. crores at 1952-53 prices)

				Percentage Increase	
	1950-51	1953-56	1960-61	1951-56	During 1956-61
1. Agriculture and allied pursuits	4450	5230	6170	18	13
2. Mining	80	95	150	19	53
3. Factory establishments	590	840	1380	43	64
4. Small enterprises	740	840	1085	14	30
5. Construction	180	220	295	22	34
6. Commerce, transport and communications	1650	1875	2300	14	23
7. Professions and services including Government Administration	1420	1700	2100	20	23
8. TOTAL NATIONAL PRODUCT	9110	10300	13480	18	25
9. Per capita income (Rs.)	255	280	330	10	13

THE SECOND FIVE-YEAR PLAN

TARGETS OF PRODUCTION AND DEVELOPMENT

	1950-51	1953-56	1960-61	Percentage increase in 1960-61 over 1955-56
I. Agriculture				
1. Foodgrains .. (million tons)	54.0*	65.0	75.0	15
2. Cotton .. (" bales)	2.9	4.2	5.5	31
3. Sugarcane—raw gur .. (" tons)	5.6	5.8	7.4	28
4. Oilseeds .. (" tons)	5.1	5.5	7.0	27
5. Jute .. (" bales)	3.3	4.0	5.0	25
6. National Extension Blocks .. (Nos.)	Nil	500	3,800	660
7. Community Development Blocks .. (Nos.)	Nil	622	1,120	80
8. Population served by National Extension & Community Development programme .. (million persons)	Nil	80	325	306
9. Village Panchayats .. (Thousand Nos.)	83	118	200	70
II. Irrigation and Power				
1. Area irrigated .. (million acres)	50	67	88	31
2. Electricity (installed capacity) .. (million kW)	2.3	3.4	6.8	100
III. Minerals				
1. Iron ore .. (million tons)	3.0	4.3**	12.5	191
2. Coal .. (million tons)	32.3†	36.3†	60.0†	63
IV. Large-scale Industries				
1. Finished steel .. (million tons)	1.1	1.3	4.3	231
2. Pig-iron (for sale to foundries) .. (million tons)	..	0.38	0.75	100
3. Aluminium .. (000 tons)	3.7	7.5	25.0	233
4. Heavy steel castings for sale .. (000 tons)	Nil	Nil	15	..
5. Heavy steel forgings for sale .. (000 tons)	Nil	Nil	12	..
6. Steel structural fabrications .. (000 tons)	N.A.	180	500	178
7. Machine Tools (graded) .. (Value in Rs. lakhs)	31.8	75	300	300
8. Cement Machinery .. (do)	N.A.	75	200	166
9. Sugar Machinery .. (do)	N.A.	50	250	400
10. Textile Machinery (Cotton & Jute) .. (do)	N.A.	410	1,950	376
11. Paper Machinery .. (do)	Neg.	Neg.	400	..
12. Power Driven Pumps—Centrifugal .. (000 Nos.)	34	40	86	115
13. Diesel Engines .. (000 H.P.)	N.A.	100	205	105
14. Automobiles .. (Nos.)	16,500	23,000	57,000	147
15. Railway Locomotives .. (Nos.)	3	170	300	76
16. Tractors .. (Nos.)	..	..	1,600	..
17. Cement .. (million tons)	2.7	4.8	10	108
18. Fertilizers:				
(a) Nitrogenous (in terms of Amm. Sulphate) .. (000 tons)	46	380	1,600	321
(b) Superphosphate .. (000 tons)	55	100	600	500
19. Sulphuric Acid .. (000 tons)	99	160	450	171
20. Soda Ash .. (000 tons)	45	80	250	213
21. Caustic Soda .. (000 tons)	11	35	120	243
22. Petroleum Refinery—Liquid Petroleum Products .. (million gallons)	..	750	895	20
23. Electric Transformers 33 KV and below .. (000 KVA)	179	520	880	69
24. Electric Cables (ACSR Conductors) .. (tons)	1,420	1,900	15,000	65
25. Electric Motors .. (000 H.P.)	99	240	600	150
26. Sugar .. (million tons)	1.1	1.7	2.3	35
27. Paper and Paper Board .. (000 tons)	144	180	350	94
28. Bicycles (Organised sector only) .. (000 Nos.)	101	500	1,000	100
29. Sewing Machines (Organised sector only) .. (000 Nos.)	33	90	220	144
30. Electric Fans .. (000 Nos.)	194	275	450	64

* Relates to the year 1949-50. **Relates to the calendar year 1954. †Figures relate to calendar years.

TARGETS OF PRODUCTION AND DEVELOPMENT (Contd.)

	1950-51	1955-56	1960-61	Percentage increase in 1960-61 over 1955-56
V. Transport and Communications				
(a) Railways:				
(1) Passenger train miles .. (million)	95	106	124	15
(2) Freight Carried .. (million tons)	..	120	162	35
(b) Roads:				
(1) National Highways .. (000 miles)	11.9	13.0	13.5	5
(2) Surfaced Roads .. (000 miles)	97.0	102.0	111.0	9
(c) Shipping:				
(1) Coastal & Adjacent .. (Lakh GRT)	2.2	3.2	4.3	34
(2) Overseas .. (Lakh GRT)	1.7	2.3	4.7	68
(d) Ports:				
Handling capacity .. (million tons)	20	26	33.5	30
(e) Post & Telegraphs:				
(1) Post Offices .. (000 Nos.)	36	53	73	38
(2) Telegraph Offices .. (000 Nos.)	3.6	5.1	6.5	27
(3) Number of telephones .. (000 Nos.)	166	265	450	70
VI. Education				
1. School-going children as percentage of children in the respective age groups:				
(a) Primary Stage (6-11 age group)	42.0	50.0	60.0	..
(b) Middle State (11-14 age group)	14.0	17.0	19.0	..
(c) High/Higer Secondary Stage (14-17 age group)	6.4	9.0	10.0	..
2. Elementary/Basic Schools (lakhs)	2.23	2.83	3.46	23
3. Teachers in Primary/Middle Secondary Schools (lakhs)	7.4	9.7	12.1	25
4. Teachers Training Institutions (Nos.)	835	885	1,080	22
5. Enrolment in Teachers Training Institutions (000 Nos.)	75.6	91.0	111.4	22
VII. Health				
1. Medical Institutions (000 Nos.)	8.6	10	12.6	26
2. Hospital beds (000 Nos.)	113	125	155	24
3. Doctors (000 Nos.)	59	70	80	14
4. Nurses (000 Nos.)	17	22	31	41
5. Midwives (000 Nos.)	18	26	32	23
6. Nurse-Dais & Dais (000 Nos.)	4	6	41	583
7. Health Assistants and Sanitary Inspectors (000 Nos.)	3.5	4	7	75

(To be continued in the next issue)

IMPORTS AND PRODUCTION OF GRADED MACHINE TOOLS IN INDIA

Year	Annual Import Value (Rs. Lakhs)	Annual Production in India of Graded Machine Tools Quantity	Value (Rs. Lakhs)	Percentage Production of Graded Machine Tools to Imported Machine Tools
1941	68.42	..	..	..
1942	56.98	273	6.07	10.65
1943	53.66	1,713	63.58	118.48
1944	152.70	2,170	77.80	50.95
1945	1.81.98	3,699	1,11.66	61.35
1946	1.83.24	2,820	91.25	49.79
1947	3.67.62	1,400	45.87	12.47
1948	4.14.40	1,691	45.72	13.20
1949	4.19.59	2,240	47.29	11.27
1950	2.49.01	1,130	28.59	11.48
1951	2.50.00	2,834	47.31	18.92
1952	2.21.13	4,488*	44.37	20.06
1953	3.12.71	2,961*	44.08	14.09
1954	3.86.40	1,544	47.13	12.19

Source: Indian Machine Tool Manufacturers' Association: Annual Report, 1954-55. * Including Chucks.

Printed and Published by Devi Prasad Sharma at the Hindustan Times Press, for "The Eastern Economist" Ltd., 52, Queensway, New Delhi. Editor:—E. P. W. da Costa, M.A. (Oxon.)

The Eastern Economist

VOL. XXVI. NO. 8.

NEW DELHI: FEBRUARY 24, 1956.

ONE RUPEE

CONTENTS

Leading Articles:

D-DAY IN DELHI	273
LIFE INSURANCE CORPORATION BILL	275
RAILWAY FINANCES	276

THE WEEK'S NOTES

Iconoclasm after Idolatry in Moscow;
Britain's Unending War; India and Iran;
Electoral Law Reform; Personnel for
Public Sector; The Death Penalty;
Coastal Shipping Rates.

A WINDOW ON THE WORLD:

Odysseus on "World Trade: The Soviet Challenge"	283
---	-----

ECONOMIC REPORT FROM THE U.S.:

The Employment Act of 1946	285
------------------------------------	-----

WORLDGRAM AND NEWS IN BRIEF

Special Articles:

THE RAILWAY DEVELOPMENT PLAN	291
THE OUTLOOK FOR ROLLING STOCK	293

The Business World:

Export of Iron Ores	295
A Saga of Private Enterprise	295
LETTERS TO THE EDITOR	297
BUSINESS NOTES	299

Dearer Money; Indian Cotton Consumption; Indo-UK Trade for 1955; Social Engineering; Cotton Tangle Comes Up Before Rajya Sabha.

COMMODITY NEWS AND NOTES	303
COMPANY AFFAIRS	304
CURRENT STATISTICS	308

D-Day in Delhi

WEDNESDAY, February the 29th, is D-Day in Delhi. This is not merely because an annual budget is being introduced on that day. For the first time there can be no doubt as to the direction of the assault and almost its exact size. With a widely advertised figure of Rs. 450 crores of "additional" taxation over five years, and the Finance Minister's known proclivities for taxing at the start, this order of additional taxation is nearly certain. With those who argue that central taxation is to be only half of the Rs. 450 crores and this half is to be spread over five years, there will be agreement; but this makes the picture no different. Even Rs. 40 crores additional per year in new taxes represents, under present conditions, a source of deep anxiety for taxpayers. In the Budget for the year 1955-56 it will be remembered that the total as finally passed in the Finance Act was only roughly half this figure; in other words, Parliament, speaking for the people, just refused to take an additional Rs. 40 crores. This year it may well be worse since direct taxation can hard-

ly be indulged in with any significance without producing the most disturbing results on economic incentives on the eve of the second Plan.

The fact that there are some cheerful figures to present in terms of revenue receipts during the current year should be noted, but should not of itself mislead one into believing that the picture on D-Day is to be one of good cheer. It is extremely likely with buoyant excise receipts, and with the remarkable good year that the railways have had, that receipts on 1955-56 account may be Rs. 20 crores more than provided in the Budget. Almost certainly expenditure, too, will be up, and this does not, in any case, detract from the new demands for development resources although it has certainly given our cash balances a welcome boost which might avoid some drastic turning of the tax screw. The Central Board of Revenue will not, one hopes, in view of this cash windfall, deem it necessary to be as harsh as usual in the collection of its current demand. That is all to

the good. But the favourable ending of the year 1955-56 does not imply any modification of the broad character of the Budget for 1956-57 imposed by the rigours of the second Five-Year Plan.

It is idle to deny that the Finance Minister of India has no major alternative to the taxation story he is to tell on February the 29th. If a Finance Minister's Budget in the Planning age is no longer a gamble in the rains, it is nevertheless still determined by considerations outside his hands. Once the plan is fixed, so must be the budget surplus, and, except to the extent that deficit financing can be precipitated—a course of action on which there will be no general agreement—the need for taxation at a level of about Rs. 40 crores per year is inescapable. What then can be said as to the best form in which the Finance Minister's limited discretion can be exercised?

Almost certainly the major choice rests on two, and only two, factors. The first is the extent to which additional personal taxation can be avoided by higher corporate taxation. If a sum of one anna more in corporation tax could dispense entirely with additional personal taxation, that is undoubtedly a course heartily to be welcomed. There can be no sense in unloosening disincentives at the beginning of an exacting plan when the imperatives of revenue can be satisfied otherwise. To say that there are political advantages in higher direct personal taxation which are greater because of the general election which is impending, is merely to say that there is obtuse ignorance of the extent to which the rich can be "soaked" under prevailing conditions. The limits of "soaking" so far as direct income-tax and supertaxes are concerned, have already been nearly reached in the areas in which they are most effective, that is, between an annual income of Rs. 60,000 and about Rs. 2 lakhs where India has today the highest direct taxation in the world. If it is argued that the socialist pattern of society requires even greater redistribution of incomes, one might enquire without malice why the Communist countries who claim to be more socialist than any others have chosen to depart from the doctrine they so spaciouly propounded in the early days of their zig-zag history. Communist exponents of good Marxist-Leninist teaching now preach inequality as an essential ingredient of the efficiency of an economic system.

The second pillar on which taxation should be based in the next five years must obviously be the restraint of inflation at a time when defences have to be built in the economy against new price rises. The application of this principle is more technical than the principle of the avoidance of personal taxation. There has been in recent weeks in New Delhi a controversial discussion of a strange new arrival described as an expenditure tax, which has arrived not alone but also with Mr. Nicholas Kaldor, its most prominent advocate and expert in the Western world. To the extent that an expenditure tax can be used as an anti-inflationary measure designed to control unnecessary expenditure and to promote saving, it is obviously in principle-sound. But one wonders whether the problem of an expenditure tax is now one of principle so much as of selection and administration. The issue is not whether expenditure should be taxed, because, of course, excises

and indirect taxes do in fact tax expenditure at present. It is essentially the question which items of expenditure should be taxed in order of priority and how the rates should be graded. The principle of an expenditure tax cannot thus be considered in isolation. It must obviously be related to items most suited to obtaining the revenue required for restraining inflationary dangers. The answer to this riddle has not yet been found.

The taxes most ordinarily believed to be effective in this direction, namely, excises on cloth and sugar, are not nearly so effective as they seem to be at first sight. And if political considerations require some restraint, taxes on cloth and sugar will not be acceptable in the age of the common man. The Finance Minister of India has, therefore, little option but to perform, with trial and error, the difficult task he attempted last year; it may be that this year, as in the last, he will experience the humiliation of an ignominious retreat.

If the position in 1956-57 is so difficult, one might wonder cheerlessly how in each of the next five years the Finance Minister of India will be capable of adding Rs. 40 crores to his receipts by way of "additional" taxation. The truth is that taxable capacity of the Indian people cannot be substantially raised until some considerable advance takes place in the standard of living. Moderate inflation is likely to be the consequence of this dilemma. It may well be that while the Finance Minister is determined to enforce the discipline which the Plan entails, he will be forced to recognise the compulsion of events.

Meanwhile there is only this to be said. The Finance Minister of India must be trusted under the circumstances which have been created not by his own act but by the exacting character of the Plan which is believed to be universally desired and must be given the fullest support and assistance. D-Day in Delhi is not intended to be a day for rejoicing. But at least by the gracious acceptance of the Finance Minister's proposals there will be shown a measure of calm determination that India proposes to go through the decisions on the second Five-Year Plan with all the vigour of a people aroused to the rigours of an exacting but glorious destiny.

It is quite foolish to grouse and to grumble about additional taxation at this hour. For one thing, the Government of India has made itself curiously insensitive to cries of distress from those who with great patriotism have tried in the last year to serve it and the country on reduced allowances and even more reduced prospects of reward. Gratitude is not to be expected by civil servants from this hard employer. Nor can the private sector—on the wrong side of the ideological fence—expect greater consideration. Secondly, there really is no justification for a general fuss, though there may be marginal cases which cry out for treatment. The need for additional taxation is self-evident, like the fundamental truths contained in many high-sounding documents about the rights of men. All that patriots and men of goodwill can ask is that new taxation should be related to the overwhelming need for production. Let taxation assist the Plan, not hinder it. If that is achieved, no one should grudge the price that is demanded.

The Life Insurance Corporation Bill

THE Life Insurance Corporation Bill introduced in the Lok Sabha last week has reduced some of the uncertainty which has prevailed since Government announced its decision to nationalise life insurance through an Ordinance. The Bill confirms the expectation that a Corporation would be regarded as the most suitable agency for the transaction of life insurance business in the future. But the Corporation now proposed will not be an autonomous body, though there was a strong case for making it so. According to Clause 18 of the Bill the Corporation is under an obligation to follow all directions on matters of policy issued by the Central Government so that, in effect, complete control will be ensured over its work. Moreover, under the provisions of Clause 28 of the Bill, the sums assured by all policies, issued or taken over by the Corporation, including bonuses, are guaranteed as to payments by the Central Government, so that the Government has a *prima facie* case for its exercising detailed control and supervision over the functioning of the Corporation.

No substantial issue of principle arises on the question of the provision of a sum of Rs. 5 crores as the capital of the Corporation or over the provisions regarding its constitution, membership and organisation. There are a few significant phrases in the Bill, which are apparently intended to provide assurances about the manner and the exercise of the Corporation's powers. It has laid down as a sort of a directive principle that life insurance business should be "developed to the best advantage" and that in the discharge of its functions the Corporation should act "so far as may be, on business principles". Contrary to earlier expectations, the Central Government's postal insurance business has been kept out of the purview of the Corporation's business, though the insurance schemes of several State Governments will be merged. The reasons for this differential treatment are not clear.

The provisions of this Bill do not, however, indicate even in a general way the principles and the procedure which the Corporation will adopt for the development of insurance business. Much has been left to rules to be framed by the Central Government. On the most vital question of the investment of the funds of the Corporation, there is no assurance of the continuance of the *status quo*. We have to rely for the present only on the Finance Minister's laconic statement to the effect that there was no reason why the private sector should be deprived of the funds hitherto available to it. On the wide range of other matters hitherto regulated by the Insurance Act of 1938, the changes that will be necessary are unknown. It has been obvious that the Act as a whole will be inconsistent with the needs of nationalised insurance. Clause 34 of the Bill enables the Government to avoid the difficulty of devising immediately a whole set of new procedures by merely laying down that all or any of the provisions of the Insurance Act, 1938, may be applied to the Corporation through Government notification, with such modification as the Government may deem fit to make and that the rest of the Act will remain inapplicable to life insurance business. Thus notifications would override the provisions of a law which has not been either formally repealed or amended.

A curious anomaly is the provision for audit: Clause 22 provides that the affairs of the Corporation should be audited by auditors qualified under the Company Law excluding thereby the jurisdiction of the Auditor-General which has been gradually extended to the work of other Corporations in the public sector. A second, is the assumption of power to reduce the amounts of insurance under contracts of life insurance in cases where the financial condition of the companies taken over by the Corporation is considered to justify such a step. It involves that policyholders who did business with unsound companies can be rightly penalised, though it cannot be proved in every case that the companies concerned will not be able to meet their obligations under such contracts as and when they arise if they had not been taken over.

The rights of third parties are also liable to be affected. Under the powers sought in Clause 13 of the Bill, it is possible to reopen any transaction made during the last two years by the life insurance companies in which there is a suspicion that payments, sale or acquisition or other agreements have been made for excessive or inadequate consideration. There is no rationale behind the time limit of two years; there was no policy declaration for the nationalisation of life insurance two years ago in order to justify reopening of transactions made in order to defeat public policy. In any case, the possibility of writing into the nationalisation measure powers of this kind to defeat deliberate evasions of law reinforces the contention that an Ordinance was hardly necessary to announce a decision of such far-reaching importance.

Last, but not the least important, is the question of compensation on which a very elaborate and complicated set of principles has been devised. The interests affected by these provisions will have time to make their views heard, but in a situation in which compensation has come to be regarded as the least important criterion of social policy it is futile to discuss it at length. To the large number of employees engaged in the business till now the same remuneration and rights to pension and gratuity are guaranteed. But this is coupled with a provision that these terms may be altered or reduced in the interest of the Corporation or policy holders in such manner as the Corporation thinks fit and that employment might be terminated on payment of three months' remuneration. These are obviously designed against posts which the Finance Minister considered as sinecures but a state of uncertainty will prevail among all employees because it is difficult to specify the persons who are surplus when a monopoly takes the place of competitive business. The law cannot be specific on this matter and the process of staff rationalisation is bound to be a long and difficult one.

The Bill, therefore, provides no answers to the major questions about the future of insurance. It is a tentative draft and, perhaps, a Joint Select Committee may be able to go to work on this and produce more detailed indications of the Corporation's structure and working. Its future strength lies in its monopolistic position within the country and the use of this position to the best advantage may need other supporting measures like compulsory insurance. The Corporation will virtually be a department of the Government.

Railway Finances

ON the eve of the second Five-Year Plan, it is reassuring to find that railway finances are gaining an added element of buoyancy. The impact of the increasing tempo in the execution of the current Plan is clearly seen in the financial operations of the railways in the last two years. The peaks achieved in 1954-55 have been exceeded by substantial margins in the current year. This was primarily due to an increase of about 8 million tons in goods traffic above 1954-55 which is by any criterion a striking performance. Passenger traffic has also increased by 7.5 per cent in terms of passenger miles and there have been similar increases in other coaching traffic. The net effect of this higher traffic activity has been to push up gross receipts from Rs. 287 crores in 1954-55 to Rs. 314 crores in the revised estimates for 1955-56. Ordinary working expenses have shown an increase of Rs. 8 crores which is quite in consonance with the higher volume of traffic. The net surplus which was available for distribution between the Development Fund and the Revenue Reserve Fund has remained practically at the same level. The appropriation to the Depreciation Reserve Fund for 1956-57 has been stepped up to Rs. 45 crores—an excess of Rs. 10 crores above the provision laid down in the current railway convention, involving a modification of the convention for the period of the second Five-Year Plan. Its main justification lies in the necessity of replenishing the Depreciation Fund which will be called upon to make sizable contributions to the development needs of the second Five-Year Plan.

At the close of the first Plan, the railways can certainly take credit for their achievement which has exceeded the assigned targets by appreciable margins. Total expenditure on railway development will exceed the revised allocation of Rs. 400 crores by 8 per cent. About 55 per cent of the outlay has been devoted to expenditure on rolling stock and in physical terms there have been improvements mainly on account of replacement and additions of the order of 1,600 locomotives, 4,800 passenger coaches and 61,800 goods wagons. A modest programme of extension of track has been implemented with the construction of 380 miles of new lines and 430 miles of restoration of dismantled lines. The primary task of railway expansion in the first Plan which was to eliminate the mounting backlog of rehabilitation has been very nearly accomplished. The railways are now entering a positive phase of development.

The magnitude of the second Five-Year Plan has necessitated an ambitious programme of expansion of the railways. Nevertheless, the outlay of Rs. 1,125 crores which has been allocated for their development is patently short of the potential requirements. In physical terms there will be a shortfall of 30 per cent in the additional freight transport capacity required for the production targets in the Plan. The increase in passenger traffic may be met only half-way, offering virtually no relief in overcrowding. The implications of the problems involved in these shortfalls have been discussed in two special articles in this issue. Even within the reduced funds which have been earmarked for development, railways have been faced with a difficult

problem of finding the full amount of the resources. The obligation cast on the railways is to provide Rs. 375 crores out of their current revenues. Even after the enhanced allocation of Rs. 10 crores per annum to the Depreciation Fund, the shortfall in railway resources will be of the order of Rs. 50 crores at the existing rates of fares and freight charges.

This prospect invests railway budgets in the immediate future with a new character. In essence, they must be treated as development budgets. In the light of this change in the liabilities of railway finances, it was unavoidable that the Railway Minister should take recourse to new ways to find additional finance. The surcharge of one anna in the rupee proposed to be levied at a flat rate on all categories of freight primarily accounts for the increase in the gross traffic receipts in the budget estimates for 1956-57 which are placed at Rs. 345 crores. There is undoubtedly, in this increase, the yield due to the progressive increase in the volume of freight as well as passenger traffic. Working expenses are expected to rise by Rs. 10 crores to Rs. 224 crores. The effect of the adjustment in freight rates and of anticipated increase in traffic is reflected in the net surplus which will amount to Rs. 23 crores as against Rs. 9.5 crores in the current year.

In a situation in which priority for the development of railway transport is essential and the gap is due to limited resources, it becomes inevitable that the railways should earn more both on the goods and passenger traffic. Considering it inopportune at this stage to propose increases in passenger fares, the Minister for Railways has chosen the less unpopular course of levying a surcharge of one anna in the rupee in all freight traffic to fetch an additional yield of Rs. 11.6 crores. A flat rate of this nature may produce anomalous situations in cases where the traffic cannot bear the surcharge and it will be left to the Freight Structure Enquiry Committee to rectify the hardships in particular cases. Over the rest of the field, however, the justification is clear. For the users of transport the cost has certainly been increased; but faced with the alternatives of costly transport and the complete or partial lack of it, there is no doubt as to what the choice should be.

Apart from the fact that additional outlay will very likely be placed at the disposal of the railways in the course of the subsequent stages of the Plan, there is ground for optimism that the actual gap in physical resources will not be allowed to remain as large as it appears at the present time. If railways have been enabled to carry 15 per cent more freight traffic, in terms of the tonnage lifted, in the last two years of the current Plan, an important explanation of this progress in capacity is to be sought in the higher operational efficiency. The Efficiency Bureau has already got into the stride and detentions of stock in the workshops, marshalling yards, break-of-gauges and terminals are being appreciably reduced. If the planned physical resources are procured according to schedule, there is no reason why higher efficiency performance should not reduce the shortfall in capacity by a substantial margin.

CANADA'S ALUMINIUM LABORATORIES



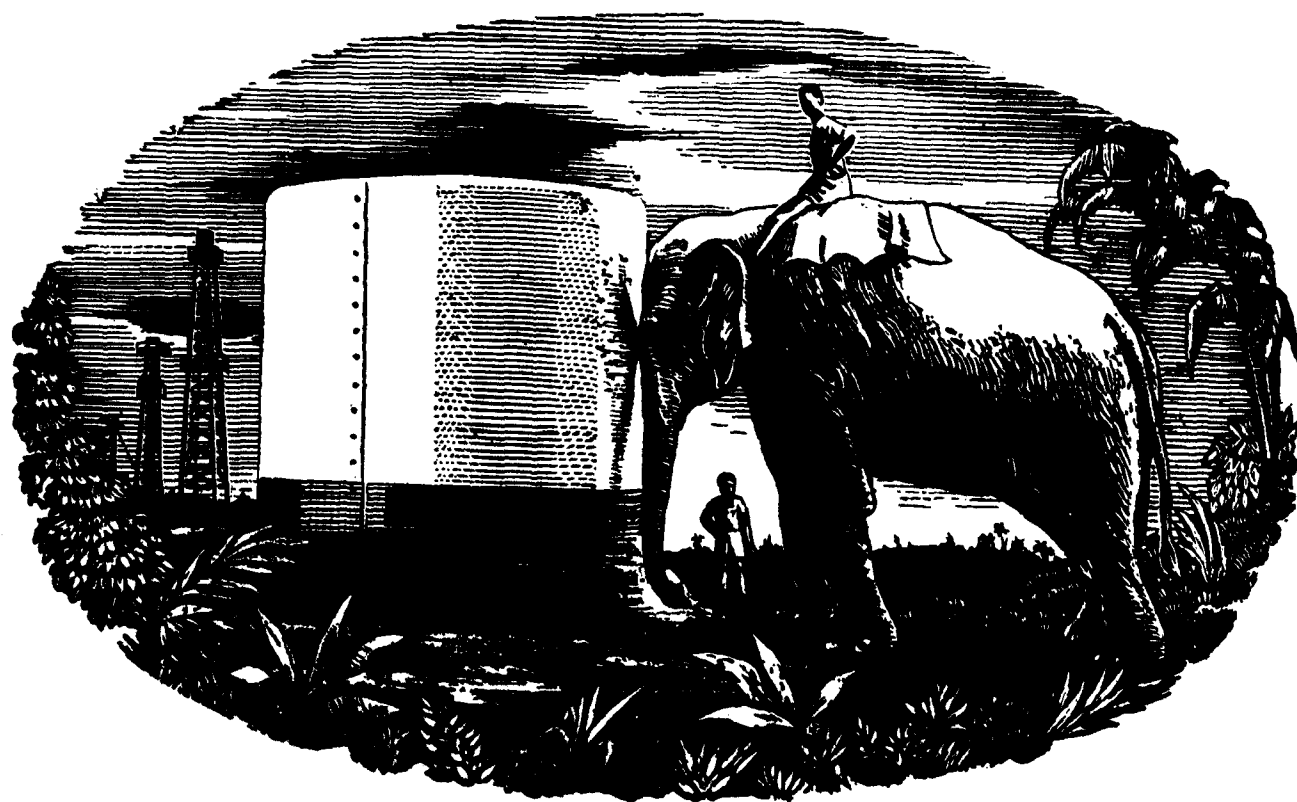
LP BUILD
HIRAKUD SMELTER

AT HIRAKUD, ORISSA, Indian Aluminium Company will soon put up a 10,000 ton capacity smelter. Designed and constructed with the assistance of the Company's Canadian associates, this smelter will triple current production capacity. The know-how and world-wide experience of the Canadian consultants, who spend over Rs. 2 crores annually on aluminium research and development, will thus serve one of India's vital industries.

This aluminium smelter will be India's biggest and will call for a large capital investment to be financed partially by a proposed issue of new capital by the Company.

**Indian Aluminium
Company Limited**

A Canadian-Indian Enterprise



It's a BIG job.... running an oilfield

Many special kinds of skill are required to keep India supplied with oil, from the study of fossils to the operation of complicated plant in refineries—and not excluding the care of elephants.

Consider the complexity of the Assam Oil Company's operations at Digboi, in north-east India. Here, at India's first and hitherto only oilfield, nearly a thousand wells have been drilled into the earth's rocks—a total of over 300 miles of hole. More than 600 of these wells still yield oil regularly, modern production techniques ensuring that the maximum amount of crude is recovered from the field. Science and engineering skills guide every phase of the company's work, nowhere less than in Digboi refinery which in a single day supplies the Indian market with over 250,000 gallons of high-quality petroleum products. In all branches of this full-scale industry the Assam Oil Company employs nearly 9,000 persons, while many hundreds more are engaged in serving the consumer.

Yes, the day-to-day running of the oil industry is a big job. To keep it running the Assam Oil Company has to spend crores of rupees just in "looking ahead." For no oilfield lasts for ever, and in order that India's vital flow of oil may be supplied to an increasing extent from India's own resources, the company is constantly exploring for new sources of petroleum.

ASSAM OIL COMPANY

does it all



PROSPECTING · DRILLING · PRODUCING · REFINING

THE WEEK'S NOTES

ICONOCLASM AFTER IDOLATRY IN MOSCOW

THE TWENTIETH COMMUNIST PARTY CONGRESS in Moscow has provided many headlines in the last few days but hardly much of unexpected news. It has long been clear that the idolatry of Stalin ended with him; it has taken nearly three years for the iconoclastic zeal to come out into the open in the form of a public repudiation of Stalinist policies by Mr. Mikoyan. It is not known whether the Communist leadership in the Soviet Union realises the implications of this confession of error. If Stalin's external policies were wrong, then obviously those who opposed and prepared to defend themselves against them were right. They have reason to be distrustful of a system which permits the errors to end only with the natural end of a dictator without any other check. So long as that system continues, change of men alone will not end errors; another set of errors may be substituted, again without hope of rectification.

To what extents is the "collective leadership" a reality? Considering the ascendancy of Mr. Khrushchev, it looks as though "the cult of personality", which has been declared to have ended with the abolition of some of its formal symbols, will be revived in a different form, for the simple reason that it is inevitable under a system which has no place for a real clash of personalities. Even so, some of the attitudes to the rest of the world have undergone a change, though the belief in the ultimate triumph of Communism all over the world is strongly held, making much of the talk of co-existence unreal. Mr. Mao Tse-tung's message to the Twentieth Congress contains a significant reference to the progress made since the earlier Congress held under Stalin, meaning perhaps that the new line is more acceptable to China than the Stalinist policies.

BRITAIN'S UNENDING WAR

MR. HAROLD MACMILLAN has begun his career as Chancellor of the Exchequer with a series of measures which cannot exactly add to his or his party's popularity. The British public was long taught to believe that such crises were endemic under Labour rule and the initial prosperity of Tory government seemed to justify this belief. The Bank Rate has been raised to 5.5 per cent and the Chancellor has followed it up with a series of fiscal measures. Capital expenditure by the Government and nationalised industries in 1956 will be down by £70 million. Reduction in bread and milk subsidies amounting to £18 and 20 million respectively, will result in increases in price of one penny per loaf of bread and half-penny a pint of milk. Increased down-payments for hire purchase with extension of control to a wide range of goods and the suspension of the investment allowance for industry, with certain exceptions, add to this formidable list of crisis measures. The Chancellor has also asked the Capital Issues Committee to maintain a "vigorously critical attitude" towards all applications.

Coming after the "credit squeeze" applied earlier, which is estimated to have accounted for £400 million of demand, these steps should enable the Chancellor to restrain the demands for goods for both investment and consumption purposes, which had been increasing at a faster rate than the national output. One consequence of this is that the UK has lost gold in the last few months and the position of the pound-sterling has been threatened. Import restrictions might have staved off the payments crisis, but then the demands on internal supplies would have been all the greater. The present measures, on the other hand, will mean no contraction of trade—on the other hand,

exports are expected to go up—and a halt to price and cost rises. The local authorities, responsible for a quarter of the capital expenditure of the country, are also to face restrictions. The cumulative effect of all these measures is expected to be a falling off of £700 million in demands for goods and services.

Already the position of the pound-sterling on the foreign exchange markets has shown improvement, but this was almost exclusively influenced by the change in the Bank Rate. Some of the other measures, the results of which will be seen in the long range, have not received unanimous approbation. The Labour Party has given notice of a motion of censure and may succeed in winning back some of the ground lost, especially under the new leadership of Mr. Gaitskell which may be regarded as more competent and progressive without being doctrinaire. But it may not be sufficient for Labour to return to power as much may happen between now and an election.

INDIA AND IRAN

THE WARM and friendly reception accorded to the Shah and Queen of Iran should remove the fear that India must be necessarily unfriendly to other countries who are members of military pacts to which she is opposed. India's relations with Iran date far back into history, and though invaders from that country were troublesome, they left cultural influences which have been cherished and have compensated for the results of conquest. Persian literary and cultural influences persist and will endure for a long time. The young Shah's visit will further cement these friendly ties, despite the differences in the approach to some of the problems of international relations.

The Shah has been among the progressive and liberal-minded rulers in the world, thwarted by a conservative nobility on the one hand and by extremists on the other. His efforts in the last few years at introducing reforms in Iran for the promotion of democracy and the people's welfare have been well known. In spite of the vast oil riches, Iran is still largely a country of poor peasants. The country's middle class, full of xenophobia, is scornful of all foreign ideas, while the upper strata of society often imitate Western manners without imbibing the democratic spirit. In the post-war years, the country has had to liberate the province of Azerbaijan from Soviet occupation and solve the complicated and long-drawn-out oil problem. With the shadow of her great northern neighbour constantly threatening her, it has fallen to the Shah's lot to save the country from extremists of both sides and to lay the foundations of economic progress and democratic government. During his stay in this country the Shah may be able to see what can be done to tackle similar economic problems though it may not be easy to transplant all the methods in the peculiar conditions of Iran.

ELECTORAL LAW REFORM

THE DEBATE in the Lok Sabha on the Representation of the People (Amendment) Bill as reported in the press seems to have been rather perfunctory, even if it is conceded that many of the provisions were not too controversial. It is difficult to understand why there should have been a prolonged debate on the quality of electoral officers when the last election did not disclose serious errors or partiality of the men appointed to these posts. Similarly, the discussion on the qualifying date for enrolment as a voter was allowed to drag on, when it was obvious that whatever the date it will exclude a large number of people who will complete

21 by election day. The choice of March 1 for this purpose in the Bill was guided by the need to allow sufficient time for enrolment work to be completed and, in any case, those thus excluded would only be a small percentage of those who do not exercise their vote.

Among the clauses which were approved without discussion was one concerning the submission of return of election expenses. Among the minutes of dissent, there were objections to the proposal to exclude recognised parties from the ceiling on expenditure, for this would have, in effect, amounted to the exemption of all party candidates from the limitation on expenses. This clause places independent candidates at a great disadvantage. Already, independents have to face innumerable organisational and other obstacles in contesting an election. If organised parties thus join together to keep out independents, who can speak freely without the compulsions of doctrine which tends to make for uniformity in public life, it will be a loss to our democratic process. This and other points which were not raised in the Lower House should receive consideration at the hands of the "elders" when the Bill comes before the Rajya Sabha.

PERSONNEL FOR PUBLIC SECTOR

THE LOK SABHA the other day rejected a private members's motion for the setting up of an Industrial Service Commission to recruit staff for undertakings in the public sector. Mr. B. N. Datar, in opposing the resolution, urged that such a Commission could only have jurisdiction over departmentally-run industries, and that those managed by independent corporations had their own arrangements for recruiting staff. Whatever be the views on the need for a separate Commission for the purpose, there should be little difference of opinion on the need for an altogether different basis for recruiting managers and assistants for industrial ventures from that adopted for recruitment to the civil service. This is not to say that firms in the public sector are not now being run as well as they can be or that the entire blame for whatever deficiencies there are are due to the personnel. But industrial undertakings have to be run on business lines, and Government servants, accustomed to a different set of problems and beset with routine, will find it difficult to adapt themselves to new procedures.

Industries have to be run by men who can give and take quick decisions. While it is true, as one member said during the debate, that the setting up of a separate Commission cannot solve the problem, that can be one way of dealing with it. The Union Public Service Commission does not inspire the belief that recruitment to the industrial services will be effectively tackled by a separate Commission. There is far too much faith in the potency of Commissions in providing solutions. The Deputy Minister for Production indicated that a separate cadre for managerial and technical personnel is likely to be created. Undoubtedly the best course will be to create such a cadre and recruit men for it entirely on an "open" basis, with or without the help of the UPSC, instead of transferring administrative and accounts personnel to managerial positions.

THE DEATH PENALTY

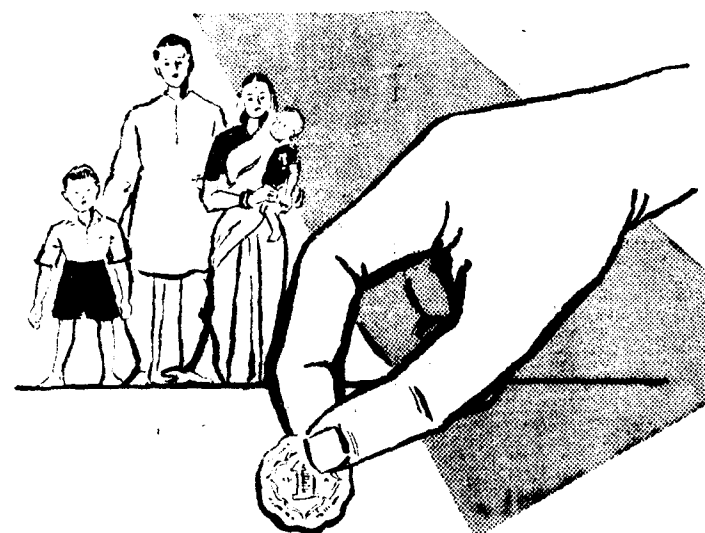
THE BRITISH HOUSE OF COMMONS bids fair to set an example on one of the vital human problem which has been tormenting the conscience of thinkers for a long time. In adopting a private member's resolution in a 'free vote' calling upon the Government to take steps for the abolition of capital punishment, the Commons was reversing its own decision of last year though

in 1948 it had voted for the suspension of the death penalty as an experimental measure for five years. Then the House of Lords rejected the proposal. But certain recent executions, as in the Evans case, where doubts arose subsequently about the guilt of the person sent to the gallows, have caused much rethinking, and the report of a committee of Conservative lawyers recommending a middle way brought the problem to the forefront. There is bound to be some hesitation in certain quarters about the wisdom of the step, but this only shows the complexity of the problem. In any case, the abolition accords with the principle of jurisprudence that it is better for a hundred culprits to go scot-free than that one innocent person should be punished.

Till now the common view has been that the greatest deterrent to a murderer is the possibility of the loss of his own life. This view was quite uninfluenced by the moralist argument that it was wrong to take away a human life even in return for a life. Only the realisation that a life might have been forfeited by an innocent person convicted of a crime he did not commit has caused the change in the Commons' vote. The abolition of the death penalty can only err on the side of safety, for an innocent person wrongly confined can still be redeemed and set at liberty. It is unlikely that the abolition will act as an inducement to the commission of more murders, for the motives of murderers are quite unconnected with the probability of being punished and the nature of the punishment. Most of the West European countries, with the notable exception of France, have done away with the death penalty and their experience also confirms this conclusion. If anything, the prospect of a long period of jail will probably discourage would-be murderers even more than the chance of a quick hanging.

COASTAL SHIPPING RATES

RISING OPERATING expenses and higher incidence of replacement costs are producing a decisive effect on rates for the transport of shipping cargo everywhere. The situation has been aggravated by unusual delays in several ports. The pressure of these factors is seen in the increase of freight rates overseas introduced a year ago. The increase has ranged around 10 per cent. In India, the coastal shipping trade has felt the impact of higher costs which has been accentuated by the fact that go-slow and other interruptions in work at the docks have reduced the cargo-carrying capacity of vessels by about 20 per cent. The Coastal Conference which intended to put up rates from May last had to postpone its decision due to a directive from the Government to await the report of the Rail-Sea Co-ordination Committee. An interim increase of 5 per cent, however, was allowed effective from mid-October 1955 as against the increase of 10 per cent claimed by the Conference. This issue is still pending decision. Mr. Dharamsey Khatau has analysed the factors involved in costs in his presidential speech at this week's annual meeting of the Scindia Steam Navigation Company. His conclusion is that on a modest reckoning operating costs are rising by 2.5 per cent per year. If rates are to be fixed on current levels and they are to remain in force for a period of four years, an allowance of at least 5 per cent must be made above existing costs. A minimum increase of 15 per cent is essential on this basis. It compares with an increase of 28 per cent on the basis of the Tariff Commission's general formula of 10 per cent on the gross block which would be still higher in the case of new fleets involving a costly element of replacement. A prompt decision on this question is imperative as considerable delay has already been caused.



LET EVERY FAMILY SAVE *One anna more* PER DAY

If every Indian family decides to save even so small a sum as one anna more per day it will all add up to Rs. 13.5 crores in Small Savings per month and Rs. 162 crores a year. Small Savings by millions will help finance all our ambitious development programmes. Remember that National Savings Certificates and National Plan Certificates can be purchased for as small a sum as Rs. 5/-.

Invest in
GOVERNMENT OF INDIA

SMALL SAVINGS SCHEME

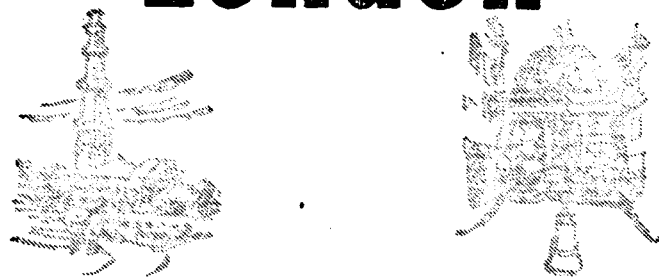
For further particulars and/or rules governing these investments please write to the National Savings Commissioner, Simla, or to the Regional National Savings Officer of your state.

12-YEAR
NATIONAL SAVINGS CERTIFICATES
10-YEAR
TREASURY SAVINGS DEPOSIT CERTIFICATES
10-YEAR
NATIONAL PLAN CERTIFICATES
15-YEAR
ANNUITY CERTIFICATES
POST OFFICE SAVINGS BANK DEPOSITS

DA 55/64

Delhi

London



VIA ROME, or DUSSELDORF

By B.O.A.C. 'MAJESTIC' or 'CORONET' TOURIST

Enjoy speed, luxury, dependability when you fly by B.O.A.C. First Class 'Majestic' services. These four-engined, world-proved *Constellations* are fully-pressurized to fly high above the weather where the air is clear and calm. Relax in the deep comfort of adjustable chairs, enjoy delicious

free meals, drinks and attentive service day and night. Also "low fare" 'Coronet' Services by B.O.A.C. Argonaut airliners. Four-engined and fully-pressurized. Same high standard of B.O.A.C. service and experience. Drinks on Tourist Services at duty free price

DELHI LONDON	FIRST CLASS OFF-SEASON TOURIST	Single Fare	Return Fare
		Rs. 2,360	Rs. 4,248
		Rs. 1,414	Rs. 2,546

Consult your local Travel Agent or B.O.A.C. Speedbird House, Service Road, Connaught Place, New Delhi. Telephone: 43978, 44234, 45085 and 47356.

B.O.A.C. TAKES GOOD CARE OF YOU

FLY B.O.A.C.

BRITISH OVERSEAS AIRWAYS CORPORATION

Listen to the B.O.A.C. programme "Enchantment in the Air" on Thursdays at 8.0 p.m. on Radio Ceylon, 31 and 49 metre bands

A Window on the World

WORLD TRADE: THE SOVIET CHALLENGE

By
ODYSSEUS

SENSATIONAL ARTICLES are not expected in the august pages of "Lloyds Bank Review". Learned articles, important to students of higher economics: yes. But sensational: no. Still, when the Review does publish what strikes me as a challenging piece, one does not expect it to be universally ignored. Yet I have seen no discussion in the Indian, British, or American press of Mr. Michael Hoffman's article, "The Present System of World Trade", published in the current issue, in which he points out (1) the fact that the existing system of international trade could be disrupted without undue difficulty by the USSR and the Communist bloc of nations with the gravest effects on (a) the economic and political relations of the free world's principal trading countries (which, don't forget, include India), (b) the standards of living of millions the world over, (2) that it is inherent in Communist doctrine that such an attempt should sooner or later be made, and in which he (3) poses the question whether the USSR's trade offers to India are the first sighting shots towards such a disruption.

If these points are not sensational then I'm losing my grip.

Needless to say Mr. Hoffman is not sensational in the sense that his object is not, by pandering to those who enjoy having their hair made to stand on end, to push the "Lloyds Bank Review" into the million sale bracket with the "Daily Mirror". No, he states the facts quietly and reaches his conclusions by solid argument.

Mr. Hoffman begins by analysing the existing system of the international exchange of goods and services between the countries of the free world. Immediately after World War II, international trade was everywhere in chaos, and the Bretton Woods conference, leading to the General Agreement on Tariffs and Trade (GATT) attempted to set up ideal objectives. In the meantime recourse was had to a variety of expedients in order to get goods moving across frontiers once more. Mr. Hoffman points out that if, on the one hand, the ideal objectives have not been attained, we do, on the other, have in being not a collection of expedients but a system. The evidence for this is that it has become increasingly difficult to change by international agreement any of the system's main features, not because the free nations are less co-operative but because repeated efforts to reconstruct have led officials to conclude that, given existing national interests, trade, and monetary developments, the system in being works with the least friction and is probably the best for the moment that can be hoped for. At any rate it should be improved by trimming and pruning rather than by major uprootings. Progress towards the ideals of currency convertibility and a stable non-discriminatory system of trade protection has become dependent on the patient prodding of discreet international secretariats.

It is not, however, until one reflects over the existing system that one realises how easily it could be upset by a selfish or hostile power. It is only the unprecedented stability of the tariff schedules of the major countries since the 1947 Geneva conference that

has led people to overlook that in fact it is always possible for a serious breakdown to occur at one of the GATT conferences if the domestic political situation of one of the participants rendered intransigence on some important tariff change inevitable. There are more than 60,000 customs duties covered by GATT's tariff schedules and these 60,000 are a major part of the framework of the world trade system. Any serious breakaway from GATT by one or more major countries could precipitate dissolution of the whole existing pattern of world trade, which, of course, includes our own.

FREE WORLD'S SUCCESSES AND FAILURES

The existing system approaches the Bretton Woods' and GATT objectives in some respects and falls short in others. First, the similarities: in addition to the fixation of tariff duties largely by inter-governmental agreement and (as already said) in addition to their stability as compared with other recent periods of history, we have now predominantly a system of stable exchange rates. Then, again, increasingly since 1952 practical experience has outweighed doctrinaire considerations in the chief countries and led them to try to cope with any deteriorating external balance by reducing the pressure of domestic demand rather than by clamping down import restrictions. Even Australia, according to report, is considering the adoption of measures to avoid periodical tightening of imports. This would be a change indeed in Australian thinking and illustrates once more the basic premise on which this column is conducted, namely, that if, when the whole fashion of contemporary opinion is against you, you continue to uphold what you consider to be the logical view, you need not despair that reason will prevail in the end. Some of the older hands will remember the campaign entitled "This Unsuccessful Age" conducted here from January 12 to April 11, 1952, in which we exposed the deceptions of a controlled economy, particularly as they affect international trade. In the final article, "Australia Demonstrates This Unsuccessful Age", I outlined reasons for suggesting that Australia's decision to overcome by import restrictions an adverse trade balance, caused by internal inflation, would worsen her problems. I received some satirical Australian comments at the time. Now it seems they are toying with the possibility that inflation rather than imports should be restricted!

Mr. Hoffman goes on to point out that the existing system also approaches the Bretton Woods' objective in that private trade has taken back a great part of the sphere lost to state trading during the war, even in food products. On the other hand, one of the most important, and overlooked, weaknesses of the existing free system is that powerful industrial and trading nations are outside it, incorporated in the Communist world empire. The International Monetary Agreement allowed for the admission of the USSR, then the only Communist state, but today the fact is that the world is not only divided between two blocs of political power but also between two parallel and competing

systems of international trade operating radically different rules.

USA'S ROLE IN INTERNATIONAL TRADE

If the existing free system has failed to achieve convertibility and to abolish quantitative restrictions, it does nevertheless work. But one of the most frequently forgotten conditions of its working is the annual injection into its stream of world trade of four to five billion dollars by US government payments. There is no sign whatsoever that this will cease but it is important that it should be remembered, both inside and outside the USA, that without these US government payments the free system would not work, and India would be selling her jute or tea with difficulty and buying scarcely any capital goods. Mr. Hoffman suggests that system will not work without the annual dollar shot in the arm because of the decline in the liquidity of the system as a whole: whereas the value of world trade is nearly four times immediate pre-war, the amount of monetary gold has risen by less than half and the total of gold and foreign exchange available as "reserves" has just a little more than doubled.

It is characteristic of the free system that international trade in agricultural products encounters obstacles from which manufactures and non-agricultural raw materials are free. This is because of the increasing protection given to farmers in highly industrialised countries. The combination of high domestic prices and "burdensome surpluses", once peculiar to the USA, has spread round the world. These agricultural surpluses have led to agreements to reduce food import restrictions and "to consult" when danger threatens, but Mr. Hoffman concedes that no real check has been found for agricultural economic nationalism. The trend is towards more restrictions on agricultural products in international trade.

The free system does, however, enable world trade to expand and it does provide growing freedom for those who conduct it to profit from the diversity of

resources among nations and thus to increase the world's wealth by their better use.

But any system depends on the co-operation of its participants. What could happen to the free world's trade if the economic nationalism of some participant or the ideological hostility of some country began to undermine it?

The system's comparatively small monetary reserves lay it open to disruption from national inflations. Few countries today can stand a loss of reserves of, say, 5 per cent of their annual foreign trade turnover for more than a few months. It is probably impossible for any major trading nation (including the USA) to conform, even if it wished, to the neo-classical gold standard rules under which the effect on prices and incomes of monetary changes in reserves adjusts disturbances in international equilibrium. Today no country can afford to get out of line. If it does, the tendency is to break from the free system by intensifying quantitative, exchange, and other controls. To grapple with inflation has thus become of the first importance for all free countries, not only for the sake of their domestic prosperity but of the very existence of the international exchange of goods.

But, and now we come to Mr. Hoffman's outstanding and "sensational" point, the open system of the free world is liable to attack from the closed system of the Communist world. State trading organisations capable of financing sustained losses, either as a seller or as a buyer, could easily wreck any free market.

I have used up my allotted space. I leave you therefore to mull over two questions: India's economy, as at present organised, depends for its prosperity on the prosperity of the free world's system of international trade. Would her progress towards a higher standard of living be hastened, substantially and permanently, by any economic policies, or bargains, which undermined the free system and strengthened the Communist system? Would India's political independence be strengthened by the dislocation of the free world's economy?

Economic Report from the U. S.

EMPLOYMENT ACT OF 1946

(BY GUY SIMS FITCH)

WASHINGTON, Feb. 21.—Few pieces of legislation win unanimous praise from all political parties and all segments of society, even when such laws have weathered the test of time. Yet leaders from business, labour, agriculture, the professions and government have joined in celebrating the tenth anniversary of the Employment Act of 1946. For this Act, as no other legislative measure had ever done, defines the relationship between the United States Government and the free American economy. In so doing, it has helped lay the foundations for those policies that have contributed to the growing and almost uninterrupted national prosperity of the past 10 years.

The Employment Act places upon the shoulders of government responsibility for creating conditions in which private economic activity can flourish and in which high levels of production, employment and purchasing power can be maintained. It established the three-man council of economic advisers to help the President draw up policies to foster these objectives, and to assist him in the preparation of a new state document—his annual economic report to Congress. This report details the condition of the economy in the past year, and proposes programmes to insure continuing economic growth and well being.

The Chairman of the council thus has become an influential figure in government policy circles. Holding this post under President Eisenhower is Dr. Arthur F. Burns, former research economist and college professor, and an outstanding authority on business cycles. Assisting him and his colleagues is a full-time staff of about 20 experts and a group of informal consultants drawn from business, the universities and other private organizations.

The Act also established the joint Congressional committee on the economic report. Drawn from both the Senate and the House of Representatives, and containing an equal number of Republican and Democratic party members, the committee studies the President's report, holds public hearing on it and then issues a report of its own as a basis for possible Congressional action. Now head of the committee is Senator Paul H. Douglas of Illinois, also a former college professor and a noted economist in his own right.

Clearly, non-partisanship is a keynote of this important legislation. It was introduced in Congress by Senator James E. Murry Democrat from Montana; one of its staunchest supporters was Senator Robert A. Taft, Ohio stalwart who in his lifetime won the title of "Mr. Republican". Not that the Act had clear sailing. It took 13 months of often heated debate before a workable form gained approval of Congressional leaders from both parties. But once that approval was won, the Act was adopted by an overwhelming margin in the House of Representatives and without a single dissent in the Senate.

How effective has the Act been? The record shows that national output of goods and services, adjusted for changes in the value of the dollar, has expanded 37 per cent since 1946 to the amazing 1955 total of \$387,000 million. Employment has increased from 55 millions to nearly 65 millions; unemployment in any one year has not exceeded 5.5 per cent, and is now less than 4 per cent, of the civilian labour force. Purchasing power—income of Americans after taxes, again adjusted

for dollar changes—has risen 25 per cent to a 1955 total of \$269,200 million.

To what extent this remarkable record is attributable to the Employment Act may be a matter of debate. There are those who claim that the Act has yet to be tested as a depression preventative. The fact remains, however, that both Republican and Democratic Administrations have consciously applied its principles as they have adopted fiscal and monetary policies that have bolstered the vitality of the American free-enterprise system while overcoming serious deflationary and inflationary forces.

JARDINE HENDERSON, LIMITED

NOTICE is hereby given that an Interim Dividend at the rate of 2½ per cent, less Indian Income-tax thereon, will be paid to the Registered holders as on the 5th April, 1956, of the 50,000 Cumulative Preference Shares of Rs. 100 each in the Company in respect of the year ending 31st March, 1956.

The Share Transfer Books of the Preference Shares will be closed from the 2nd April, 1956, to the 5th April, 1956, both days inclusive.

By Order of the Board,

D. FORDWOOD,

Secretary.

4, Clive Row, Calcutta-1,

23rd February, 1956.

FLY NOW



Beat the summer rush & be sure to...

Fly the Finest... **FLY TWA**
TRANS WORLD AIRLINES
ASIA • AFRICA • EUROPE U.S.A.

THE HIND BANK LTD.

4, Brabourne Road, Calcutta-1.

FOR COMPLETE BANKING SERVICE

SUBSCRIBED CAPITAL . Rs. 1,00,00,000

PAID-UP CAPITAL Rs. 50,00,000

RESERVE FUND Rs. 26,00,000

Connections in all principal centres of the world

Chairman
Mr. K. P. GOENKA

General Manager
Mr. S. D. PARDIWALLA

LIFE INSURANCE

LIFE BLOOD OF NATIONAL PROGRESS

By the Life Insurance (Emergency Provisions) Ordinance, 1956, promulgated by the President on 19th January, 1956, the Management and Control of Life Insurance business in India, including the foreign business of Indian Insurers and the Indian business of Foreign Insurers vest, with immediate effect, in the Central Government.

This is the first step towards complete Nationalisation of Life Insurance business—a step never before attempted anywhere in the world on such a gigantic scale—and opens a new chapter in the history of Indian Insurance.

How does the new set-up affect YOU?

EXISTING POLICYHOLDERS

If you are insured with any Insurer in India, the terms, conditions, benefits and privileges attaching to your Policies remain exactly as they are and claims will be settled as and when they arise, with absolutely no delay or trouble. What is more, Government Control will ensure prompt and efficient service to which you are entitled as a Policyholder.

Keep your Policies in force. Do not lapse them or make them paid-up. Continue to pay your premiums in the normal manner.

LIFE INSURANCE AGENTS

If you are a Life Insurance Agent your appointment will continue to remain in force.

Armed with the knowledge that the Policies you now sell have the entire backing of Government, go ahead and spread the glorious message of life insurance to as large a section of the public as possible, confident in the belief that thereby you will not only be increasing your income but, at the same time, will also be directly serving the country towards planned economic development.

INSURING PUBLIC

Nationalisation of Life Insurance is primarily aimed at widening and deepening of all possible channels of public savings and is an important step towards mobilising these savings more effectively than heretofore to finance the National Plan.

Every rupee you invest in Life Insurance to-day will not only secure the future financial security of your family but also ensure greater prosperity for more and more people.

The Policies you now effect will have the full backing of the Government and be subject to liberal Policy conditions, uniform throughout India. The rates of premiums will also be uniform as indicated below:

REDUCTION OF PREMIUM

The Premium applicable to Life Insurance contracts completed on and after the 20th January, 1956 will be Re. 1 per Rs. 1,000 Sum Assured per annum less than the rates of premium of the **ORIENTAL GOVERNMENT SECURITY LIFE ASSURANCE CO., LTD.**, for all terms and ages and for all schemes of Insurance, provided that where the annual premium is below Rs. 20 per Rs. 1,000 sum assured the reduction will be 5% of the premium. This reduction is not applicable to Single Premium Policies. Only those Schemes of Insurance which appear in the Tables of Rates of the **ORIENTAL** in force prior to 20th January, 1956, will be offered.

NATIONALISATION

Offers to you

**ABSOLUTE SECURITY — BETTER POLICY CONDITIONS — CHEAPER RATES —
DEPENDABLE SERVICE — ECONOMIC MANAGEMENT—FAVOURABLE RETURNS**

So take out a Policy NOW and become eligible to reap the benefits of Nationalised Insurance.

INSERTED BY COMPANIES TRANSACTING LIFE INSURANCE BUSINESS IN INDIA

WORLDGRAM

AGRICULTURE

Crops Without Soil: The immense advances made in agricultural science can meet the threat of starvation of the growing population, according to research reports issued by the UNESCO. Growing crops without soil is one way in which the world is trying to cope with the problem of feeding its mounting population. Soil-less cultivation, or hydroponics, is one of the most promising of the new methods of food production, and is done by feeding growing plants on chemical solutions. This way of raising food crops is being used successfully in many parts of the world today to grow rice, potatoes, corn, tomatoes, peas, lettuce, French beans and other vegetables. By divorcing food production from the soil, countries lacking farmlands can still produce all the crops they need to nourish their people. Excellent crops can be grown without soil, according to J. Sholto Douglas, a British expert on soilless cultivation, at low cost and with a minimum of trouble in places where conventional methods of agriculture are impossible. Crop can be raised in the absence of soil simply by giving them in artificial form the food which they usually draw from the earth through their roots.

Sore Teats: Sore teats are common in cows and buffaloes. These are caused by the milker squeezing the teats too tightly or over-stretching them. Wet milking and prolonged stripping also results in sore teats. Similarly, vigorous sucking or biting by the calf may cause the injury. Faulty construction of floor may also result in sore teats. When teats are so affected they get swollen, chopped and painful. Milking, therefore, becomes difficult. The first duty of the cattle owner is to remove or check the cause. The animal should be kept in a clean dry place. At milking time vaseline should be thinly smeared on the teats. After milking, the teats should be first cleaned with warm water containing potassium permanganate (one part in a thousand) or a teaspoonful of common salt. After this, the teats should be dried with a clean, soft cloth and some antiseptic ointment like sulphanilamide (one in eight) or boric or zinc ointment applied.

INDUSTRY

Big Coal Shortage in Western Europe: Western Europe will need 6½ million tons more of imported coal this year than in 1955. Total requirements from outside the six nations of the European Coal and Steel Pool are estimated at 29.3 million tons, of which 24.4 million tons are to be bought in the U.S. Coal production in the Pool was 21,625,000 tons, or 1 million tons more in January than the 1955 average. The greatest increase was in Germany, which produced 11.6 million tons, compared with not quite 11.3 million tons in December.

High Level of U.K. Steel Output: Steel production in the UK in January established a new record for that month. The annual rate of output was 21.07 million tons, compared with a rate of 19.79 million tons in January 1955, and the record rate of 21.25 million tons reached in November last. But there are few signs that the exceptionally high level of demand for steel is slackening. The recent cutbacks in motor-car output do not yet seem to have resulted in any requests to steel companies to postpone deliveries of finished steel. Most steelworks have at least six months' orders on hand.

Lisatorb—Absorbent for Carbon Dioxide: When it is desired to penetrate into atmospheres which are not

respirable either on the score of oxygen shortage or of the presence of poisonous or harmful gases, it becomes necessary to employ self-contained breathing apparatus in which oxygen is available or is generated and in which the carbon dioxide produced in breathing is absorbed. For the absorption of such carbon dioxide it is necessary to use suitable carbon dioxide absorbent. An absorbent (Lisatorb) suitable for use in respiratory protective devices and possessing the requisite properties, has been developed at the Fuel Research Institute, Jeal-gora. Practical performance tests of 'Lisatorb' prepared by the Institute, undertaken by the Mines Rescue Stations, Jharia, have established that its performance is satisfactory and comparable to standard products of imported origin.

Establishment of Netherlands-American Drilling Company: Two American industrialists and a Netherlands private individual have established an International Drilling Company at the Hague. The object of the Company is to carry out projects connected with the production of oils, gases, all sorts of minerals and other base materials in the whole world, except in the United States or North America and parts of her realm and possessions. The authorized capital amounts to Fls. 2.01 millions, Fls. 508,100 of which has been paid up.

Atomic Power for Aircraft: Rolls-Royce has announced that it is working on the development of atomic power units for aircraft. Research work on light-weight reactors has, in fact, been going on for the past 18 months. It is probable that atom-powered aircraft will employ the jet propulsion system in one form or another. But whereas the efflux temperature of a conventional turbojet may reach 1300-1500°F in an atomic engine, it may reach as much as 4000°F in an atomic engine. Consequently, the development of metals which boil only at very high temperature is of prime importance. Atomic-powered rocket engines would be less complicated. The coolant would be pumped through the reactor and out of the tailpipe, the range of the aircraft or missile being determined by the amount of coolant carried. Another problem associated with atomic aircraft engines is the shielding of the crew and passengers from radio-activity emitted by the reactor. This necessitates a metal screen of great thickness. If lead were used—this being one of the most effective metals—a thickness of 2 ft. would be necessary thus incurring a tremendous weight penalty.

Eastern Railway's New Loading Record: The Eastern Railway set up a new goods loading record in January 1956, registering an eleven per cent increase over the performance during the same month last year. The Railway loaded, on an average, 4,559 wagons with coal and other goods daily, as against 4,357 wagons loaded daily during November 1955. The November loading figure was itself the previous highest daily loading record on the Railways.

TRADE

UK Exports to Australia: Britain continued to sell more goods to Australia than she bought from her in the first half of the 1955-56 financial year, despite Australian import restrictions imposed in April and October last year. Trade figures released in Canberra show that in the six months to December 31, British exports totalled £142,502,400, compared with £140,275,300 in corresponding six months last year. In the same period Australian exports fell from £114,128,000 to £106,680,000.

UK-Polish Trade Agreement: Poland and Britain have signed a protocol regulating trade between the two countries in 1956, according to the Soviet News Agency, Tass. Poland will supply Britain with coal, machines, chemical goods, timber, textiles, glass china-ware, rubber footwear, bacon and other goods. Britain will export to Poland wool, rubber, non-ferrous metals, chemical goods, ship equipment, pharmaceutical goods and a number of other commodities.

Aluminium Goods Export: The Government of India has decided to licence freely for export semi-manufactures of aluminium such as strips, rods, discs and wires to all permissible destinations, says a notification issued on February 16 by the Joint Chief Controller of Exports, Bombay.

UK's January Exports Up on Last Year's Average: The value of Britain's exports in January this year was £258,000,000. This was one per cent less than the monthly average for the fourth quarter of 1955, but 6½ per cent above the average for 1955 as a whole. Imports amounted to £346,300,000—3½ per cent more than the average for the fourth quarter of 1955, and seven per cent above the average for 1955 as a whole. Re-exports increased sharply to £14,200,000—£4,300,000 more than the monthly rate in 1955. The excess of imports (valued c.i.f.) over exports and re-exports (valued f.o.b.) was £74,200,000 in January—£12,100,000 more than the average for the fourth quarter, and just over £2,000,000 more than the monthly average for 1955. U.K. exports to North America in January were valued at £26,100,000—15½ per cent less than the monthly average in the fourth quarter of 1955. Exports to the USA amounted £16,000,000—11 per cent below the monthly average for the last quarter of 1955, but 5 per cent above the monthly rate for the whole of 1955. Exports to Canada, which are usually seasonally low at this time, amounted to £10,100,000.

FINANCE

Customs and Excise Revenues in India During December, 1955: According to the returns received in the Department of Commercial Intelligence and Statistics, the total gross sea and land customs revenue collected in India during December 1955, amounted to Rs. 15.66 crores as compared with Rs. 16.36 crores in the corresponding month of the previous year. Of the total customs revenue collections, import duties accounted for Rs. 11.95 crores as against Rs. 11.41 crores, export duties for Rs. 3.35 crores as against Rs. 4.70 crores and land customs and miscellaneous for Rs. 33 lakhs as against Rs. 25 lakhs. The total gross collection of Union excise duties amounted to Rs. 13.08 crores as compared with Rs. 9.28 crores. During the 9 months, April to December 1955, the grand total of gross customs and Union excise revenue realised was Rs. 232.38 crores as compared with Rs. 201.83 crores during the corresponding period of the preceding year. Of this amount, import duties accounted for Rs. 93.03 crores as against Rs. 95.92 crores, export duties for Rs. 28.11 crores as against Rs. 27.55 crores, land customs and miscellaneous for Rs. 1.49 crores as against Rs. 2.24 crores and Union excise duties for Rs. 109.75 crores as against Rs. 76.12 crores.

\$3.35 Million US Loan to Chile: Chile's principal steel company has obtained a \$3.35 million Export-Import Bank loan. Cia De Acero Del Pacifico, US, which the Bank described as largely privately-owned, will use the funds for construction of a hot-strip steel mill at Gauchipato, near Concepcion. Cost of the mill will be \$8.5 million. The Blaw-Knox company and international General Electric Company will provide the machinery for the mill. The 10-year loan is the first of several

Export-Import Bank loans, which does not carry a guarantee by the Chilean Government. Previously the Bank had loaned the company a total of \$58 million.

British Bank Rate Raised: The British bank rate, key to the interest rate throughout the country, was raised on February 16, by a 1 per cent to 5½ per cent. The rate had stood at 4½ per cent since February 24 last year when it rose steeply from 3½ per cent as Mr. R. A. Butler applied the brakes to Britain's spending spree. The new rate is the highest since September 21, 1931, when it stood at 6 per cent. This higher bank rate is expected to be followed by other disinflationary moves: hire-purchase restrictions, cuts in capital expenditure by the nationalised industries (except only coal and atomics), cuts in Government spending including any frills in the defence programme and a new savings device.

Rockefeller Foundation Grants: The Rockefeller Foundation grants for the fourth quarter of 1955 totalling \$6,810,939, were announced in New York on February 16. The Gokhale Institute of Economics and Politics, Poona, is the recipient of the largest grant—\$150,000—by the Rockefeller Foundation for the fourth quarter of 1955. Another grant to an Indian institution is \$47,000 to the Horticultural Research Station in U.P. The State Medical College Hospital in Trivandrum has been given \$35,000 to equip and supply two model wards for medical and surgical care to be developed by the hospital for clinical teaching. Field offices in medical education and public health in New Delhi and Tokyo and three in Latin American countries have been granted a total of \$321,250 for their 1956 work.

GENERAL

Labour Conditions in Indian Cigarette Industry: Of the 11,583 workers employed in 14 out of 19 cigarette factories in India 99.4 per cent were time-rated, according to a survey conducted by Labour Bureau, Government of India. 95.3 per cent were permanent. The total employment in these factories decreased from 12,300 in 1952 to 11,747 in 1953 and 11,445 in 1954, but increased to 11,588 in 1955. Labour turnover was negligible during the years 1952 to 1954. Not only were bulk of labourers permanent, but the labour force in the industry was more or less static. The lowest basic wage for unskilled workers as on May 1, 1955, was Rs. 22-5-0 and Rs. 18-0-0 per month for males and females respectively in one unit in Hyderabad; while the maximum wage of Rs. 40-0-0 per month existed in one unit in Bombay.

USA's Gross National Product: The United States of America's gross national product in 1955 reached the record figure of 387,250 million dollars, the Commerce Department said. National income also reached a new record of 322,250 million dollars. The report said that because of price increases the real increase in production was 6 per cent above the 1954 figure and 4 per cent above the 1953 peak. National income was 6 per cent higher than the previous record reached in 1953.

Radio-Telegraph Service to Iran: A direct radio-telegraph service between India and Iran was opened on February 16. The establishment of this service brings the total number of direct Radio-Telegraph Services opened with other countries to fourteen. The other countries with which direct radio-telegraph services have been opened are—UK, USA, USSR, China, Japan, Yugoslavia, Poland, Australia, Thailand, South Viet-Nam, Indonesia, Afghanistan and Burma. Telegraph services—either cable or wireless—to most other important countries of the world are available via London.

NEWS IN BRIEF

INDIAN

A sum of Rs. 30,34,902 has been sanctioned as grants to various State Governments for expansion of basic education during the current financial year up to the end of January 1956, according to the Union Minister for Education, Maulana Abul Kalam Azad.

Sugar production in India is proposed to be increased to about 2.5 million tons during the next five years as against the present capacity of 1.6 million tons in 161 units. Licences have been issued for the establishment of 39 new factories and expansion of 44 existing units.

The Sindri Fertilizer Factory, which has been producing ammonium sulphate since 1951, has helped the country to save over Rs. 33 crores by way of foreign exchange.

India has spent Rs. 809 crores on irrigation and power projects since independence. This is four times the amount invested on such projects when the country was under British rule.

The per capita consumption of electricity will be 25 units at the end of the first Five-Year Plan period as against 14 units in 1952. It is expected to rise to 50 units by 1961.

The present rate of production of the pencil factory at Pimpri, near Poona, is about 8 million mega units per year as against the target of 4.8 million mega units.

Technical assistance and instruction equipment and supplies to assist in the programme to reorganise and strengthen secondary education in India will be available under the terms of an agreement signed between the Government of India and the U.S. Technical Co-operation Mission to India. The agreement will operate for a period of three years—1956 to 1959.

The Union Ministry of Transport has granted to the Government of Uttar Pradesh for the improvement of roads leading to Buddhist pilgrim centres a sum of Rs. 62.95 lakhs so as to afford facilities to pilgrims participating in the 2500th Buddha-Jayanti celebrations in May next.

A large number of challenge cups of the value of about Rs. 1 lakh and prize-money estimated at Rs. 20,000 will be awarded at the fourteenth All-India Cattle Show to be opened at Nagaur in Rajasthan by the Rajpramukh of the State on February 26, 1956.

Mr. P. N. Thapar, Secretary, Union Ministry of Food and Agriculture, leads the Indian delegation to the International Wheat Conference which has been convened by the UN in Geneva from February 20.

Five international professors of preventive medicine and a number of fellowships will be provided to Indian medical colleges by the World Health Organization under an agreement just concluded between the Government of India and WHO.

A sum of Rs. 821 lakhs will be spent on slum clearance in Delhi during the second Plan period. Out of this amount, Rs. 308 lakhs would be for slum clearance and development of areas and the balance of Rs. 513 lakhs for construction of subsidised houses.

FOREIGN

A special mission from the World Bank would be visiting Vienna shortly to discuss a loan of 1,000 million Austrian Schillings (£14 million) for the Austrian State Electricity Board, which controls the country's power stations. The money is to be used to build a new power station.

Preparations are going ahead in Haifa for the first Israel Industries Exhibition to be held there from April 24 to May 13. The fair is to be a full-scale representation of Israel industries.

Pakistan will get \$8.5 million from the US International Co-operation Administration as part of the 1956 aid programme to be utilised for its Karnafuli multi-purpose project in East Bengal, according to an agreement signed on February 13. During this period Pakistan will spend Rs. 28 million on the project.

It is learned that President Eisenhower has decided to begin technical and economic aid to Ceylon—cut off from US assistance for many years because of rubber sales to China. Economic and technical programmes for the first year are expected to total \$5 million.

Several British and US industrialists met recently in New Brunswick for talks about the possible establishment of a £50 million pulp and paper mill in New Brunswick. The proposed mill may be built in Leprean, St. George.

On 21 January the kingdom of Jordan became a member of the International Labour Organisation. The admission of Jordan brings the I.L.O. membership to 71 countries.

At Jordan's request the I.L.O. has deputed Mr. Muhammed Aslam of Pakistan to go to Jordan as Technical Adviser on labour problems to the Government.

The United States on February 13 contributed another \$1,259,518 to the United Nations Children's Emergency Fund (UNICEF). This brings the US payments to UNICEF's 1955 programme to \$8,667,588.

The American Automobile Association (A.A.A.), which arranges thousands of trips overseas each year for American tourists, predicts that such voyages will double by 1960. The A.A.A. says it is the middle and lower income families who now do the bulk of travelling overseas. Not only will the number double, predicts A.A.A., but the expenditures by this group will reach a sum of \$2,000 million annually.

The United Kingdom's contribution towards the cost of setting up the federal capital of the proposed Caribbean Federation is to be increased from £500,000 to £1,000,000, it was announced by the Colonial Office in London on February 13, after the British Caribbean Federation Conference had held its third plenary session.

Egyptian and Sudanese officials are holding discussions in Khartoum on financial and economic matters, including cotton prices and the question of linking the Sudanese currency with the Egyptian currency.

Helping to bring
men of good will
in 84 lands
closer together



PAA offers the only Round-the-World Service

World's Most
Experienced Airline

PAA
PAN AMERICAN

PAA 290

Special Articles

THE RAILWAY DEVELOPMENT PLAN

THE second Five-Year Plan for the Railways prepared by the Railway Ministry at an estimated cost of Rs. 1,480 crores has been reduced by the Planning Commission to Rs. 1,125 crores. This cut of 24 per cent in financial allocation has affected the expansion of transport capacity for passenger traffic as well as for goods traffic and, in addition, the plan for construction of new lines has been drastically cut down. As against the Railway Ministry's estimate of an increase of 6 per cent per year in passenger traffic, provision has been made only for an increase of 3 per cent per year. Construction of new lines has been reduced from 3,000 miles to a mere 850 miles. The new construction will be absorbed principally by the operational needs of the railways themselves and by the additional needs of the coal and steel traffic. From the view-point of the execution of the targets fixed for production in industry and agriculture in the second Plan, however, the vital aspect of the cut in outlay is the one that relates to the expansion of freight transport capacity. All practicable means must be devised at different stages of the Plan to find resources to augment this capacity. It is proposed in this and the subsequent articles to examine the railway expansion programme as modified in the Draft Outline of the second Five-Year Plan.

The Railway Ministry's estimates of the demand which will be created during the second Plan period for increased freight traffic is summarised below:

TABLE I.
RAILWAY MINISTRY'S ESTIMATE OF ADDITIONAL
FREIGHT TRANSPORT

	(Million Tons)
(A) Coal	20.0
Steel and Raw Materials for Steel Plants	18.0
Cement	5.0
Total Specific Increases	43.0
(B) Increase in the Miscellaneous Traffic at 5 per cent per annum or 25 per cent in second Plan period	17.8
Aggregate Increase	60.8

The total goods traffic which is expected to be carried during the current year, 1955-56, is likely to be 115 million tons, according to the official estimate. Hence the increase of 66 million tons, as envisaged in the above table, will be more than 51 per cent above 1955-56. The latest year for which data in respect of actual traffic carried in terms of the various classes of commodities are available is 1953-54. This year, therefore, will be convenient as the base year for comparison and estimates of probable increases in traffic. In 1953-54 the total volume of freight traffic carried amounted to 98 million tons. The Railway Ministry's estimate of an increase of 61 million tons of traffic in the second Plan period represents an increase of 62 per cent above 1953-54. This estimate is conservative and will call for closer scrutiny.

The consequence of the cut of 24 per cent in outlay made by the Planning Commission, in so far as the creation of additional freight transport capacity is concerned, will be to provide for an increase of only 42 million tons during the second Plan, as against the modest estimate of 61 million tons. It would imply

that only the classes of traffic described in the category of "specific increases" in Table I will be provided for. "Miscellaneous traffic", which is placed at about 18 million tons, will have to wait for additional resources and operational improvement on the railways. This includes much the greater part of the requirements of the private sector. There is, however, no ground for undue pessimism that a crisis will arise and the private sector will be starved of its demand. Far too much attention has tended to be concentrated on the backlog of rehabilitation and comparatively little attention has been paid to the strides made by the railway systems in stepping up the actual carrying capacity. The success which has attended the firm efforts of the railways to improve standards of efficiency and higher productivity in relation to the available resources in rolling stock and manpower must be given due appreciation. A convincing indicator of this new turn in railway operations is to be found in the striking increase in the volume of freight traffic estimated to have been carried by the railways in the last two years of the first Plan—an increase of over 20 per cent above 1953-54. These gains in operational efficiency are not only to be consolidated but incorporated as a regular feature of railway working on an organised basis. The recent contract which the Government of India has entered into with the American firm of consulting engineers, Sanderson and Porter, is expected to provide an added scientific approach to this new campaign for progressive levels of productivity.

It is obvious that in any allocation of priority for transport capacity, first priority will be granted to the requirements of the railways themselves, next in precedence will come the public sector, while the needs of the private sector will be placed in the last rank. The classification of traffic made in Table I, setting out the estimated increases in demand, is not useful from this view-point. A classification of traffic increases in the public sector and the private sector is precisely what is needed to assess in what manner adjustments will be directed in the railway expansion programme at different stages of the Plan to avoid deadlocks at the production end. Apart from this consideration, a detailed estimate of the expected increases in traffic in the two sectors separately is of vital importance to arrive at a reasonable magnitude of the increase in freight traffic. The official estimate of a total increase of 66 million tons will have to be tested in the light of the targets assigned for achievement in the second Plan. In Table 2 below the actual volume of traffic carried in 1953-54 and the anticipated increased volume in 1960-61 have been set out in respect of commodities which comprise the major demands of the public sector. Some of these commodities also enter into the demand of the private sector, but this private element has been excluded from this table.

TABLE II.
VOLUME OF FREIGHT IN PRINCIPAL OF CLASSES
OF COMMODITIES IN THE PUBLIC SECTOR

	(Million Tons)	
Commodity	1953-54	1960-61
Coal	12.0	27.0
Iron Ore .. .. .	.. .. .	14.0
Marbles and Stones	0.7	1.0
Cement .. .. .	.. .. .	0.5
Iron and Steel .. .. .	.. .. .	7.5
Railway Stores	11.0	18.0
TOTAL	24.0	66.0

At the present time the demand of the public sector for transport capacity is very nearly accounted for by the movement of free-hauled railway coal and railway stores. The nature of the public sector's demand is going to be changed to a considerable extent by the projected expansion of public enterprises in the second Plan. The estimates of increases in 1960-61 contained in Table 2 are not proportionate to the increases in production as indicated by the targets. For instance, a marginal allowance has to be made for coal consumption at pitheads. Steel plants will entail a heavy demand on traffic capacity, while it is plain that the increase in the volume of railway stores will be substantial in view of the higher pressure of traffic and workshop activity. Traffic in the public sector will thus increase by 42 million tons from 24 million tons in 1953-54 to 66 million tons in 1960-61. This calculation does not include certain requirements of the public sector. The construction of new lines of 850 miles, the river valley projects and the numerous public enterprises will demand additional transport capacity. The public sector's demand for increased traffic may easily reach 50 million tons.

In Table 3 the approximate magnitude of the demand of different classes of freight in the private sector for transport have been estimated for the year 1960-61 in relation to the actual traffic trends in 1953-54. It may be stressed in parenthesis that 1953-54 was a normal year involving no striking fluctuations or inflationary elements in traffic. The tonnage carried in 1953-54 was only one million more than in the previous year and amounted to 98 million tons. In estimating the probable traffic in 1960-61 in the private sector, the targets fixed in the second Plan for production, exports and imports have been taken as the main determining factors. A pro rata increase in the demand for traffic with the increase in production cannot, of course, be assumed. The volume of demand must be related to the volume of the marketable surplus. In view of this governing condition, liberal allowance needs to be made for a large volume of consumption of agricultural products at the source, consequent on increases in population and higher standards of consumption, leaving a proportionately lower volume for additional traffic. Manufacturing, mining and forest industries represent sources of production where practically the entire output takes the character of marketable surplus. The individual items included in Table 3 contain some element of the demand of the public sector emanating from public enterprises, but it is quite negligible.

THE OUTLOOK FOR ROLLING STOCK

THE overall position of traffic which emerges from a combination of the demand of the two sectors analysed in the previous article emerges as follows:

Total Demand for Freight Traffic			
	(Million tons)		
	1953-54	1960-61	Increase in 1960-61 over 1953-54
Public Sector	24	66	42
Private Sector	74	116	42
TOTAL	98	182	84

The volume of increased traffic in 1960-61 will be 84 million tons above the year 1953-54. On the assumption that the goods traffic moved by the railways in 1955-56 would be 17 million tons more than in 1954-55,

TABLE III.
VOLUME OF TRAFFIC PREDOMINANTLY IN THE
PRIVATE SECTOR IN PRINCIPAL CLASSES
OF FREIGHT

		(In thousand tons)	
Class of Freight		1953-54	1960-61
I. Products of Agriculture:			
1. Rice	.. .. .	2,751	3,250
2. Gram & Pulses	.. .. .	1,940	2,500
3. Wheat & Wheat Flour	.. .. .	1,905	2,500
4. Jowar & Bajra	.. .. .	930	1,250
5. Other Grains	.. .. .	734	1,000
6. Oil Seeds	.. .. .	1,359	1,750
7. Raw Cotton	.. .. .	650	1,000
8. Raw Jute	.. .. .	466	580
9. Fruits & Vegetables	.. .. .	2,998	3,750
10. Tobacco	.. .. .	261	310
TOTAL	.. .. .	14,044	17,890
II. Products of Animals:			
1. Live Stock	.. .. .	192	210
2. Hides, Skins & Leather	.. .. .	136	200
TOTAL	.. .. .	328	410
III. Products of Mines:			
1. Coal, Coke, etc.	.. .. .	20,600	29,000
2. Marbles & Stones	.. .. .	3,500	7,000
3. Salt	.. .. .	1,639	1,800
4. Manganese Ore	.. .. .	1,987	2,400
5. Other Metallic Ores	.. .. .	4,039	9,000
TOTAL	.. .. .	31,765	49,200
IV. Mineral Oils:			
1. Oil Fuel & Mineral Oils	.. .. .	941	1,200
2. Kerosene Oil	.. .. .	1,135	1,500
3. Petrol	.. .. .	798	1,000
TOTAL	.. .. .	2,874	3,700
V. Products of Forests	.. .. .	3,272	4,100
VI. Manufactures:			
1. Sugar	.. .. .	1,385	2,100
2. Khandsari Sugar, Gur, Molasses, etc.	.. .. .	867	1,300
3. Cotton Manufacture	.. .. .	466	510
4. Jute Manufactures	.. .. .	232	278
5. Edible & Other Oils	.. .. .	475	635
6. Cement	.. .. .	3,381	9,500
7. Iron & Steel Wrought	.. .. .	2,554	5,000
8. Provisions	.. .. .	784	1,000
9. Glassware	.. .. .	83	130
10. Paper	.. .. .	206	400
11. Tea	.. .. .	293	300
TOTAL	.. .. .	10,726	21,153
VII. Miscellaneous:			
1. Manure & Fertilizers	.. .. .	708	2,100
2. Fodder	.. .. .	1,178	1,500
3. Other Commodities	.. .. .	9,279	12,000
TOTAL	.. .. .	11,165	15,600
GRAND TOTAL	.. .. .	74,174	112,053

the excess in 1960-61 over the current year 1955-56, or the last year of the present Plan, will be 69 million tons. Railway development envisaged in the draft outline of the second Plan provides freight transport capacity to carry an additional load of about 42 million tons, which leaves a balance of 27 million tons uncovered for the time being. If allowance is made for the fact that the increased demand of the existing and new projects in the public sector which have not been included in Table 2 in the last article (where coal, steel and railway stores exhaust the demand of this sector) to be of the order of 8 million tons, the shortfall in capacity may be 35 million tons.

The issue of provision of capacity for moving the higher volume of traffic ought to be considered in terms of the provision of rolling stock. The allocation of capital for acquisition of rolling stock which has made in the Railway Plan is of great significance from this

angle. The allocation actually made for this purpose is Rs. 380 crores. A broad decision has been made that Rs. 197 crores should be earmarked for rehabilitation and Rs. 183 crores for acquisition of additional stock. There can be no rigidity about this distribution. The programme of rehabilitation, has been prepared in detail and is set out in the following table:

Programme of Rolling Stock Rehabilitation in the Second Plan

Stock	Averaged		Overaged
	Stock on 31-3-55	Replacement During Second Plan	Stock in Service on 31-3-61
Locomotives	2,663	1,352	1,798
Goods wagons	49,721	23,852	27,823
Coaching Vehicles	6,384	6,447	1,997

A reassuring outcome of this programme of rehabilitation is that the persisting heavy backlog will be cleared and the number of overaged stock in service in 1960-61 at the end of the second Plan will be brought close to normal proportions. In the case of locomotives and goods wagons, this result will be achieved by retaining a proportion of stock which has run out a span between 40 and 45 years. This, however, need not be looked upon as a disturbing factor. The most striking result of rehabilitation in the second Plan is the substantial improvement of stock of passenger carriages.

The disbursement of Rs. 183 crores which have been earmarked for purchase of additional stock is not available. But, in effect, allocation for replacement stock and additional stock is on a fifty-fifty basis. In view of the appropriate attitude taken by the Planning Commission to give high precedence to the freight sector of the development programme, it is safe to assume that a substantial part of the sum of Rs. 183 crores will be devoted to stock for goods train services. It is not necessary to go into niceties of calculations of the size of stock which will be additionally procured with the outlay of this sum of Rs. 183 crores because it is clear from the Draft Outline of the second Five-Year Plan that this additional stock, as distinguished from stock to be obtained for replacement or rehabilitation, will be 906 locomotives, 83,395 wagons and 4,917 coaches. On a rough reckoning, 800 of these locomotives may be assumed to be earmarked for goods train services. This is a very liberal assumption.

The adequacy or otherwise of the additional stock of this order for freight transport now remains to be examined. It should be considered in relation to the position of the rolling stock in 1955-56 and the freight estimated to have been carried in that year. The stock position in 1955-56 has been tabulated below:

Rolling Stock Position in Indian Government Railways as estimated on March 31, 1956.

Stock:	No. of Units
Locomotives	9,262
Goods Wagons	266,049
Coaching Vehicles	23,779

One element of complexity which arises here relates to locomotives. The number of locomotives in the above table represents the composite stock used for goods train services as well as passenger train services. Distinct distribution separately as between the two types of services is not available in respect of locomotives.

Assuming that the distribution is 60 per cent of goods transport and 40 per cent for passenger transport (ignoring the other minor uses of locomotives), in 1955-56 freight traffic of the order of 115 million tons is estimated to have been moved with the help of 5,420 locomotives and 266,000 goods wagons. The ratio of immobilised stock is unlikely to show any striking change as the establishment of four new workshops and modernization of existing shops will involve considerable time-lag. No substantial change in the location of industries is contemplated in the next Plan with the result that the average length of haul will not be materially different from the average of 224 miles in 1953-54.

On the basis of the stock required to carry 115 million tons of freight in 1955-56, the pro rata requirements for additional traffic of 66 million tons in 1960-61 will be 2,710 locomotives and 133,148 goods wagons. But the assumption of a proportionate increase in stock for carrying additional loads of freight is obviously wrong. Fewer train services can certainly take greater loads. In addition, it should be readily conceded that the railways will be in a position to achieve higher operational efficiency at the rate of 10 per cent per annum during the next plan period, according to their present calculations, and it is likely that a higher ratio of improvement will be actually attained. Considering these factors, it may be assumed that 2,000 locomotives and 110,000 wagons will be required for the additional traffic of 66 million tons. As against this order of requirements the additional provision made in the Draft Outline of the second Plan is 800 locomotives for goods train services (leaving a small margin of over 100 locomotives for passenger train services) and 83,400 wagons. The gap in freight stock, therefore, will be 1,200 locomotives and 26,600 wagons. This is on the assumption of the increase of 66 million tons as estimated by the Railway Ministry which falls short of the estimate in this article by about 10 million tons. Ignoring this difference, it is likely that this gap in stock will entail additional investment of not less than Rs. 85 crores to be closed. It need not pose an insurmountable problem to find higher funds of this order.



THE UNITED COMMERCIAL BANK LTD.

HEAD OFFICE: CALCUTTA

London Branch: 15, THROGMORTON AVENUE, E.C. 2.

G. D. BIRLA Chairman

Subscribed Capital	Rs. 4 Crores
Paid-Up Capital	Rs. 2 Crores
Reserve Fund	Rs. 95 Lacs
Total Working Funds (As on 31.12.55) Over	Rs. 81 Crores

Branches in INDIA, PAKISTAN, BURMA, MALAYA & HONGKONG

Agents all over the world

S. T. SADASHIVAN
General Manager

Rupee Travellers' Cheques issued in convenient denominations.

The Business World

EXPORT OF IRON ORES

(CONTRIBUTED)

AMONG the proposals in the Draft Outline of the second Five Year-Plan, the mineral policy envisages an increase of iron ore production from 4½ to 12½ million tons and a stepping up of iron ore exports from 0.9 million tons to 2 million tons in 1960-61. It is necessary that this target of exports should not remain only on paper and that steps taken to increase exports should be viewed as a part of a long-term plan to profit by exports of iron ore in the future and finance development.

India possesses within her boundaries the largest reserves of high grade iron ores in the world, which is more than enough for a large-scale iron and steel industry in the country and for export of iron ore. A good deal of foreign exchange for financing our plans can be made available if we formulate a scheme for export of iron ores for the next fifteen years. There is no disagreement in any quarter that India can well afford to export iron ores. The USA is the largest producer of iron and steel in the world, with a capacity for 120 million ton ingots per year, with only 6 per cent of the total iron ore reserves of the world, averaging an iron content of 50 per cent. The USSR with a capacity of 49 million ton ingots per year has a reserve of 7.6 per cent of the total world reserves averaging an iron content of 38 per cent. India with a production of two million ton ingots per year has a reserve of 21 per cent of the total iron ore resources of the world, averaging an iron content of 54 to 64 per cent.

The reserves of iron ores in countries which have exportable surpluses are as follows:

Sweden	500 million tons ..	high grade
Brazil	150	65% Fe
	350	55 to 60% Fe
	1000	30 to 50% Fe
Canada	418	54% Fe
	530	49.44% Fe
Venezuela ..	560	58% Fe
India	10,000	54 to 64% Fe

From the above, Sweden supplies ore to the steel industry of Europe and has more or less reached its upper limit for annual raisings. Venezuela is now a large-scale exporter to the USA, and has plans to ship ten million tons of ore per year. Brazil has the second largest reserves of iron ore in the world, but due to difficult terrain and the distance of the deposits from the port, development for export purposes is difficult. The importers of Indian ores are Japan, Germany, Czechoslovakia, Italy, the UK, and Luxembourg and the USA may also be interested.

A SAGA OF PRIVATE ENTERPRISE

By
CROESUS

SHAKESPEARE must have been in a confoundedly cynical mood when he wrote: "the evil that men do liveth after them, but the good is oft interred". For, don't we see around us innumerable evidences of the good work that our great men have done in the past, even in the remote past, which compel us not

To manufacture 18 million tons of ingot steel per year, which is the target to be achieved by the end of the third Five-Year Plan in 1966, the following raw materials will be needed:

Iron ore 60% grade	35 million tons
Coking Coal	32.5 " "
Limestone	10.5 " "
Dolomite	0.75 " "
Manganese 30%	1.05 " "
Ferro-manganese	0.18 " "
Refractories for Replacement	1.26 " "

In large-scale mechanical mining, for every four tons of ore mined, a ton of fine ore will be available which has to be sintered before use. The sintered ore will be an ideal raw material from the viewpoint of the blast furnace operator and will be welcomed by our expanding steel industry. If we get an average f.o.b. price of \$8.5 per ton we can make a net profit of Rs. 10. The present market price of high grade ores is over \$11 f.o.b.

The export of the following quantities during the next fifteen years must be our target:

Second Plan Period 1956-61 .. .	9 million tons
Third Plan Period 1961-66 .. .	20 " "
Fourth Plan Period 1966-71 .. .	51 " "
TOTAL	80 million tons

If adequate transport and port facilities are available, and if there is good demand for our ores the above target can considerably be increased, and we must aim for an export of at least 10 million tons per year. For the above target the net profit will be Rs. 80 million per year and foreign exchange to the tune of Rs. 3,200 million in dollars, sterling and other currencies will be available. Apart from the net profit and foreign exchange so necessary for the implementation of our Plans, it will give employment to several thousands of people at the mines, in transport, at port and in other capacities.

For the implementation of the scheme a mechanical loading and unloading port is necessary apart from the existing ports. The new port should be an up-to-date one with all mechanical equipments for export of large bulk cargoes and for the quick unloading of large amount of equipment and machinery which will have to be imported in implementing the multifarious schemes for the large-scale industrialization of the country. From the viewpoint of location the new port has to be in eastern India.

only to remember but also to respect them? Are not the glorious achievements of our great men themselves concrete monuments of their memory? If so, when we instal bronze statues or marble busts, don't we only aim at having poor and ineffective substitutes for those imperishable monuments? Moreover, when we erect

statues of captains of industry these days, are we not unwittingly giving handle to "iconoclasts" of free enterprise?

These thoughts were troubling me as I entrained at V.T. last Friday night to be present at the unveiling of the statue of the late Mr. Walchand Hirachand at Walchandnagar on Sunday by Mr. M. L. Dahanukar, his life-long friend and admirer, and an industrialist in his own right. I even shared these thoughts with one or two of my friends who were out on the same mission but not to much purpose. It was not until I was actually face to face with the statue that I saw the compelling need for it and, in fact, I began to ask myself quite another question: "Why was this not done earlier?" The workmanship of Mr. Goregaonkar, (the sculptor who executed the statue) has really put life into an otherwise inanimate bronze replica, so that you feel the audacious Walchand standing right in front of you in flesh and blood when you face the statue. Thanks to the happy choice, by Mr. Gulabchand, Walchand's brother, of the pose for the statue, one finds little or no difficulty in recognising this great originator of more than a handful of national key industries.

The name "Walchandnagar" conveys to me more perhaps than it does to many others, namely, the home of Walchandnagar Industries Ltd. It is an imperishable symbol of what enlightened free enterprise stands for—rather I should modify it to read what it has stood for for decades past. When I recently visited Chittaranjan Locomotive Works, I did feel that large sums of the tax-payers' money had been spent on the township, but I could not, at the same time, resist admiring the amenities provided to all the staff in the township. By any standards, the Chittaranjan township is magnificent. But this is what has been done by the State now "only in the fifties". What must one say then of Walchand's farsightedness in planning and executing on model lines, a little more than a score of years ago, a township with almost all the amenities of life possible only in large cities? Fancy each 'puri'—the different units of the township are styled thus—having a co-operative store, a primary school, a gymnasium, a club, a reading room, a dispensary, a section officer, a resident supervisor and even a telephone (internally worked by the Company, not State-operated)! When in Chittaranjan I saw that each unit had a separate hospital, I thought that the railways had done there something wonderful that private enterprise has done nowhere else as yet. But, after seeing Walchandnagar, I cannot very well let Chittaranjan get away with the distinction of having been a pioneer in the matter of a planned and progressive township. The credit for this feather in the cap of private enterprise, of course, goes in a large measure, to the man on the spot. Mr. Gulabchand Hirachand, the present Chairman of the Walchandnagar Industries Ltd. While it is true Walchand launched the scheme, the way it has shaped out and its present prosperity are mainly, if not solely, the result of Mr. Gulabchand's single-minded devotion to, and intensive concentration on the growth and development of the township as much as of the sugar industry.

Availing himself of the occasion—this was only natural and appropriate too—Mr. Gulabchand traced the history of Walchandnagar. The events leading up to the taking over of the parent company, Marsland Price and Co., Ltd., an English engineering concern, in 1908 and its successful transformation into the biggest sugarcane farming and sugar manufacturing unit in the State, constitute a veritable saga of private enterprise. Here in Walchandnagar one can see unfolded on the canvas the fullest potentialities of the sugar industry. The enterprise of the management has made it possible to experiment with success the exploitation of every by-product and also the establishment of a number of secondary industries, such as distillery, oil mill, plastics manufacture, paper, etc.

The remarkable way in which the Company has been able to get over the coal (shortage) problem by making use of the waste product bagasse for firing boilers and raising steam is a tribute to the initiative and enterprise of private sector. Obviously, the men who work in this undertaking are not content just to count the hours and do only that much of work which is assigned to them; by reason of the scope allowed to them, they have been able to evolve new methods and venture into uncharted fields, all with a view to furthering the efficiency of the enterprise. The bagasse-fired boilers, the burning of sulphur and the manufacture of many of the component parts—some complicated ones too—eventually taking the Company on to the manufacture of a complete sugar plant, for which the Government of India has given a licence, are possible, it seems to me, only in the climate and atmosphere that enlightened free enterprise offers.

There is much talk amongst our planners that we should stop the exodus from the villages to the towns and reverse the process. But it is amazing that it does not ever occur to them even to mention as concrete illustrations of what they mean, places like Jamshedpur, Birlapur, and Walchandnagar, where, right in the midst of a rural set-up in each case, beautiful townships have grown up with all the amenities of an urban centre. It is not until we have several thousands of Walchandnagars and Birlapurs that we can effectively bring about a complete reversal of the process of migration from the rural to the urban areas.

In giving expression to these reflections of mine, I am afraid, I have not said anything about what Mr. Dahanukar said about Walchand. Having been a close friend for nearly 40 years, Mr. Dahanukar could recount several personal reminiscences which show the stern stuff of which Walchand was made. As he rightly said, Walchand was never satisfied with small things but was always after doing things in a big and grand way; he was ever on the lookout to break fresh ground. This explains how, from starting as a small contractor to the railways Walchand rose to be the inspiring genius of such basic projects of national importance as shipbuilding, automobile, aviation, and heavy engineering. The secret of Walchand's success was that he took care to see that his associates also grew with him and as his stature grew. While he no doubt amassed tons of money, he freely shared the gains with those who worked for him and saw to it that there was contentment all round in his undertakings. In short, he was a captain of industry who belonged to a great generation of eminent Indian business men, the ranks of which are, alas, fast thinning out. This process is only being hastened from what has happened at Avadi and Amritsar. Whether this is for the good or the bad of the country, I leave it for the future economic historian of India to record.

THE EASTERN ECONOMIST

(Subscription Rates)

	Pavable in advance	
	India	Foreign
	Rs.	Rs.
Annual	50	66
Half-yearly	25	33

Copies delivered by air in Bombay, Calcutta and Madras at an extra cost of Rs. 9 - per year.

Foreign air rates on application. Offices in New York, London and Tokyo.

The Manager,
THE EASTERN ECONOMIST LTD.,
52, Queensway
NEW DELHI

Letters to the Editor

UNAUTHORISED ALTERATIONS IN THE NEW COMPANIES ACT

Sir,

The new Companies Act is published in a Gazette of India Extraordinary of 19-1-1956 as Act. No. 1 of 1956, after having received the assent of the President on 18-1-1956, and it is published under the signature of Shri K. Y. Bhandarkar, Secretary to the Government of India. A comparative study of the text of the Act as published in the Gazette with the text of the Bill as finally passed by both the Houses of Parliament reveals that in the Gazette version there are a large number of alterations and additions (more than forty in number) which apparently have been made subsequently to the passing of the Bill by both the Houses of Parliament and it is not known under what authority or by whom they have been made.* While a good portion of the alterations may be said to be formal and in the nature of drafting improvements such as changing the topical Headings and the Headings of Sections, and supplying inadvertent omissions and correcting of mistakes and illogical phraseology there are at least a few alterations which are really in the nature of material changes affecting the rights and liabilities of those coming within the purview of the provisions concerned. We may take for instance one such change effected in Subsection (1) of Section 113. The provision in the Bill as passed by both the Houses of Parliament provided as follows:

"Every company shall, within three months after the allotment of any of its shares, debentures or debenture stock, and within three months after the registration of the transfer of any such shares, debentures or debenture stock, complete and have ready for delivery the certificates of all shares, the debentures, and the certificates of all debenture stock allotted or transferred, unless the conditions of issue of the shares, debentures or debenture stock otherwise provide."

Now in the Gazette version, in the place of the words "within three months after the registration of the transfer of any such shares" we find substituted the words "within three months after the application for the registration of the transfer of any such shares". This is a very serious change affecting the liability of companies and their officers, as default in complying with the provisions is punishable with fine up to five hundred rupees for each day during which the default continues.

Is it not a serious matter for consideration as to whether and how far any authority other than Parliament itself can exercise any power of altering or adding to the legislative provisions made by Parliament, however erroneous or absurd they may be? Even as regards topical Headings, Headings of Sections and other formal matters, can it be said that anybody else other than Parliament itself can effect any changes by way of corrections or otherwise when both the Houses of Parliament have passed the Bill "with their eyes resting on those matters also" as they existed at the time of passing the Bill?

If any person other than Parliament itself can make any alteration or correction, what safeguard is there against the possible abuse of such apparently limitless power?

* The various alterations and additions have been catalogued by me in the book on the new Companies Act just recently published by the Madras Law Journal Office.

Sir Erskine May in his well-known Treatise on Parliamentary Practice (12th ed. page 385) observes as regards amendments during the Bill stage: "Throughout all these stages and proceedings, the bill itself continues in the custody of the clerk or other officers of the house and no alteration whatever is permitted to be made in it, without express authority of the house or a committee, in the form of an amendment regularly put from the chair, and recorded by the clerks at the table, or by the Chairman in committee". Does not this observation apply with greater force to amendments and alterations made after the Bill is finally passed by both Houses of Parliament?

It appears to me that apart from the fact that the legality of the alterations and amendments, one and all, whether substantial or formal, is open to question, the prerogative of Parliament itself requires to be adequately safeguarded. It may be that both the Parliament and the Executive are only facades of the Congress Party representing the nation and whatever the Executive willed would be carried out by Parliament. But there is a constitutional way of doing things after they are allowed to pass through the furnace of public opinion.

Yours faithfully,
A. RAMAIA,
Advocate.

MADURAI.

TRAVANCORE-COCHIN STATE INSURANCE

Sir,

With the decision of the Government of India on the nationalisation of Life Insurance, the problem of the policyholders of the State Insurance in Travancore-Cochin seems to be complicated.

The first or perhaps, the second of the nationalised Insurance Institutions in India, the Travancore-Cochin Insurance was working very satisfactorily and in the face of very acute competition from companies which used to adopt all kinds of ugly tactics to dissuade the prospects in the State from joining the State Insurance. But in spite of all that, the State Insurance has shown a very good record of progress. There are today about 60,000 policyholders and the funds amount to nearly two crores.

The service of the scheme should be summed up in two words, viz., low premiums and a good bonus record—a combination which it is very difficult for companies to follow. The scheme is being worked out with a low expense ratio of nearly 10 per cent whereas even a progressive company like the Oriental spends 25 per cent. It seems the intention of Government is to follow the example of Oriental. Knowing as we do, the tremendous waste of expenses which the companies have hitherto been following and which Government in the circumstances have borne upon themselves, it is impossible for the Insurance Corporation to keep at the same level of expenses that the Travancore-Cochin State Insurance is doing. The sufferers should be the policyholders, existing and future.

To avoid therefore a good institution from being immersed in a doubtful experiment, it will be better if the Travancore-Cochin State Insurance is kept separate for the present, and given the option to merge after five years when the success of the Indian venture is known. Till that time, the State Insurance may be allowed to remain as the Sole Insurer for the newly formed Kerala State.

Yours faithfully,
A Policyholder.

Trivandrum,

3 Reasons
WHY
MORE PEOPLE ARE BUYING
DIPTI
CUTS **20%**
KEROSENE CONSUMPTION

TROUBLE FREE PERFORMANCE

According to the latest Government certificate, Dipti lanterns give you clear Six British candle light without any smoke.

STURDY IN CONSTRUCTION ATTRACTIVE IN PRICE

DIPTI Lanterns
FOR MILLION HOMES

When you buy a lantern always insist on Dipti. Remember Dipti not only gives you a trouble-free service but also saves twenty percent of your kerosene consumption. It is sturdy in construction and smart in look. It has a special paint which is good for all weathers.

THE ORIENTAL METAL INDUSTRIES LTD.

Head Office: 77, Bowbazar Street, Calcutta - 12. Factory: Agarpada Estate, Progressive OM.S.

TALKS ON SKIN BEAUTY

Exercise and fresh air are Essential for
Keeping Your Complexion Young and healthy.
But Your Skin Also Needs External Care.

Mysore Sandal Soap

Made from the finest ingredients,
Cleans and tones up Your Skin and Complexion.

Try a Cake to-day

MYSORE SANDAL SOAP

ESSENTIAL FOR SKIN BEAUTY

Available at all leading Stores

Government Soap Factory

BANGALORE
Member: I.S.T.M.A.

united ASIA

INTERNATIONAL MAGAZINE OF
ASIAN AFFAIRS

TWELVE RAMPART ROW BOMBAY 1

PHONE 21658

Announcing Another Special Number
of UNITED ASIA

"The Chinese Scene"

a comprehensive report on
contemporary China by eminent
men and women who visited the
country in recent years

contributors include:

Denis Mathews	Ben Parkin
E G Pulleyblank	Lo Kai-ju
Yen Ching-yao	Gyan Chand
Kathleen Lonsdale	G H Doughty
Ernest Thornton	John Baird
Basil Davidson	Cedric Dover
J D Bernal	Hugh Casson
Paul Hogarth	Ivor Montagu

organized in London by Cedric Dover
copiously illustrated

Rs. 10 (£1 or \$3.00) a year post free
back volumes 1948-1955 available

UNITED ASIA

international magazine of Asian affairs
12 Rampart Row, Bombay-1 India



(Incorporated in India)

Through a network of branches
in India, Burma, Ceylon, Malaya,
Thailand & Hong Kong and our
correspondents at all important
commercial centres of the world,
we are in a position to offer the
most complete Banking Service
to Businessmen and Manufac-
turers engaged in the export and
import trades.

*Service
is our motto*

General Manager: Mr. C. P. Doraikannu

BUSINESS NOTES

DEARER MONEY

INCREASING USE of the orthodox weapons of monetary control has been made in recent weeks by several countries in their fight against inflation. Thus, Britain and Holland have raised their Bank rates, Britain doing it for the third time in just over a year! Even in New Zealand—an exporter of primary commodities—where the Bank rate is as high as 7 per cent, credit has been further tightened and increase in rates of interest on deposits has been officially permitted. Clearly these measures are designed to check imports and boost exports of the countries wedded to credit squeeze. The emphasis in all these countries is to be less on investment and consumption at home and more on exports.

Coming in the wake of the normal stringency of the current busy season and the recent withdrawal of concessions to scheduled banks under the Bill Market Scheme, the latest upgrading of the British Bank rate has affected the Indian money market. Many of the banks have already raised the deposit rates and there is now a move to raise those on overdraft/advances as well. With a disparity of full two per cent between British and Indian Bank rates, the possibility of Exchange Banks bringing funds from abroad is completely ruled out and they have now to rely more and more on the Indian money market for their requirements in this country. Accordingly, one notices, there has already started a scramble for funds which may make the position of Indian scheduled banks difficult, as they may not be in a position to offer the same attractive rates on deposits as their foreign confreres, if it came to a competition for available funds.

As heavy deficit financing gets under way, in this country also, there may be need for additional disinflationary measures. Bank credit has risen during the last one year by 17 per cent, though economic activity has risen by only 5 per cent. This is reflected in a rise in the general index of wholesale prices from 360 to 375.3. Fortunately, there are as yet no threatening signs of inflation; but it is not improbable that the authorities here may seize the opportunity afforded by the developments abroad noted above to bring about a small increase in the Bank rate. There is, however, no reason why India should emulate Britain, inasmuch as conditions and circumstances in the two countries are altogether different. Moreover, an increase in Bank rate now will further raise the cost of this country's economic development. Nevertheless, such a move cannot be ruled out, as it seems to have the blessings of a school of economists who hold the view that, when a country desirous of advancing economically has no other alternative but to resort to large-scale deficit financing and, indeed, decides to do so, it is just as well to take the plunge into inflation fully armed, simultaneously with such safety-devices as higher interest rates and all else that go to make credit tight. This may still not be the view of the powers-that-be. But who knows they may change overnight and bow to the inevitable ere long?

INDIAN COTTON CONSUMPTION

THE TREND of Indian cotton consumption by mills in this country in the first quarter of the new cotton season 1955-56 is hardly encouraging. While the quantum of Indian cotton consumption improved from 382,979 bales in September to 385,910 bales in the following month, the figure for November showed a decline of as much as 33,000 bales at 352,671 bales. As against the record level reached in the total consumption of Indian cotton in the 1954-55 season, when it amounted to over 41 lakh bales, the latest quarterly performance is not quite heartening. But, in view of the series of crises that the cotton market has had to

pass through in December-February—the market is still not out of the woods—and the disturbances in January, 1956, following the Government of India's decision on the SRC Report, which hampered the working of mills for a period, however brief it may be, the consumption trend of cotton in the second quarter of the 1955-56 cotton season is hardly likely to show any improvement.

It is true that this season's consumption of Indian cotton in the first quarter compares favourably with that for the corresponding quarter of the 1954-55 season. It is also true that there were a number of holidays in the month of November, 1955, which may be partly responsible for the reduction in cotton consumption. But one suspects whether the repeated reports of freezing cotton mill production have not started doing harm already.

The following table gives the latest consumption figures for the first quarters of this and the previous season, of both Indian and foreign cottons:

(In bales of 400 lbs.)			
	Total 1st Qtr. 1955-56	Total 1st Qtr. 1954-55	
Indian	1121,560	988,256	
Foreign			
Egyptian	42,532	55,691	
East Africans	51,467	53,427	
Sudans	28,073	6,858	
Russians	185	..	
Americans	9,630	56,774	
Pakistan	..	3,555	
Others	2,106	1,598	
TOTAL	1255,553	1168,159	

INDO-UK TRADE FOR 1955

ALTHOUGH THERE has been a slight fall in the size of India's favourable balance of trade with the UK—this declined from £33,576,000 in 1954 to £29,156,000 in 1955—the value of the trade between the two countries, which aggregated £228,742,000, has been maintained at 9.4 per cent above the preceding year and above 26.3 per cent as compared to the year 1953.

The principal exports from India included tea, leather and manufactures thereof, tobacco, oils, and cotton yarns and woven fabrics, while the major items of imports into India consisted of machinery, chemicals, and road vehicles and aircraft. Excepting for cotton yarns and woven fabrics, the value of exports, which improved from £6,849,000 for 1954 to £7,041,000 for 1955, all the other items showed a moderate decline. Thus, the value of tea exports fell from £76,898,000 to £75,420,000 and those of miscellaneous textile manufactures from £16,363,000 to £14,400,000 as between the full year of 1954 and 1955.

A notable feature of the trade between the two countries in 1955 was the steady increase in the value of all items of imports from the UK into India. As against £28,142,000 worth of machinery, other than electric, imported in 1954, the value of these items rose to £32,344,000 in 1955. In fact, India was the third largest customer for UK machinery, both electric and other than electric. The largest individual items under this head included machine tools, textile machinery, generating sets, generators and motors, converting machinery, transformers, switchgear and switchboards,

as also electric cables, wires, strips and strands (insulated). It is hardly surprising that there has been a 14 per cent increase over 1954 in the imports of machinery, by reason of the fact that India is committed to an ambitious programme of industrial development under her Five-Year Plans. Indeed, India's machinery imports from the UK represented 37 per cent of the total imports from that source. The biggest increase was noted in imports of iron and steel, which rose from a little under £6 million in 1954, to nearly £9 million in 1955. As against this, there was a decline in imports of UK petroleum and petroleum products, the value of which fell from over £4 million in 1954 to nearly £2 million in 1955. This is evidently because of the progress made by the new oil refineries set up in this country.

As usual, tea was the largest item of export from India, accounting for as much as 47 per cent of her total exports. The biggest increase was recorded in the export of animal and vegetable oils which rose from slightly less than £2 million in 1954 to £8 million in 1955, followed by cotton which increased from £2 million to £4 million.

In view of the trend in both the total exports to, and the total imports from, the UK—an increase of 7 and 13 per cent, respectively, over the performance in the previous year (1954)—the steadily rising volume of trade between the two countries noticed in the earlier years may be expected to continue.

SOCIAL ENGINEERING

IT IS now recognised that the management of men is just as important and perhaps far more complicated than the management of machines. We have still to go a long way, and conferences, such as those of the Indian Institute of Personnel Management, held recently in Madras, will undoubtedly help in forming a clearer idea of the problems involved. Personnel management and industrial relations require an acquired skill along with a natural bent of mind to deal with people. Manpower control is partly a matter of leadership, and partly just common sense. In the early days of the industrial revolution a policy of hiring, bossing, and dismissing was accepted as a common sense policy for manpower control. For obvious reasons, this policy was soon found wanting. This brought in trade unionism, which paved the way for industrial liberalism, in the form of medical aid, subsidised canteens and the like. Collective bargaining and joint consultation followed and later still management began to realise that labour too must be accepted as a partner. Translation of all these, however, is not having smooth progress.

If management conferences can find a solution to the problem of better relations between management and labour or between labour and capital, they can congratulate themselves on having got their greatest reward. The reward will be in the form of better efficiency, higher morale, better administration, better teamwork, and, consequently, more production at lower costs. All this, it should be emphasised, can be achieved only by creating a sense of confidence and a feeling of security in the ranks of labour. Labour must be made to feel that they have a stake in the industry. The question is partly, nay, primarily, psychological. It underlines the importance of human values in industry.

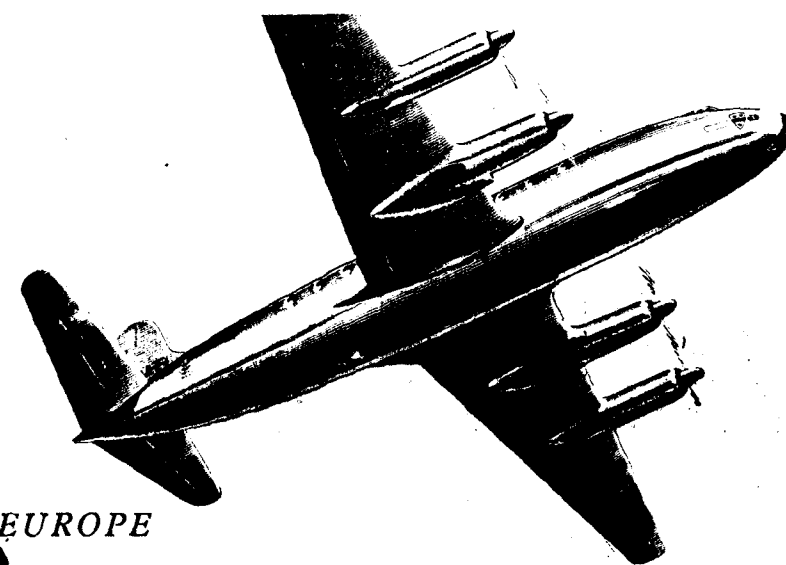
With independence and the establishment of popular Governments, the labour situation has changed considerably in this country. In the past few years, a great number of Acts beneficial to labour has been enacted. Thus, the workers have gained considerably by the fixation of minimum wages and the introduction of the health insurance and provident fund schemes. The Industrial Disputes Act of 1947 has as its aim the securing

of cordial labour-management relations by mutual negotiation and conciliation, and, only as a last resort, by compulsory adjudication. Compulsory adjudication, however, has failed to achieve the main object of maintaining harmonious relations. The latest trend of thought is definitely veering away from this principle. Better understanding of human relations is a great revolution in industry, another form of improved 'process'. It is quite possible that new achievements in the field of social engineering lie ahead, perhaps as remarkable as those in physics or chemistry.

COTTON TANGLE COMES UP BEFORE RAJYA SABHA

A BATTLE royal between the East India Cotton Association and the Forward Markets Commission has been going on in earnest for nearly two months now. To put it bluntly, the question at issue is to decide as to who is the boss. By putting a ban on futures trading in cotton on December 23, the Commission may be said to have won the first round. But, when the Commission issued a notification, later on, declaring that both the September and the May contracts be deemed as closed out, an influential trade party took out a notice of motion challenging the Commission's action. This case is now being heard at the Bombay High Court. Meanwhile, taking up the brief on behalf of the Commission, the Union Minister for Commerce and Industry has sought to defend the action taken by the Commission. Intervening in the Lok Sabha on Friday (February 17) during the debate on the Indian Cotton Cess (Amendment) Bill, Mr. Krishnamachari categorically stated that the Government's interference in the affairs of the East Indian Cotton Association was necessitated because of the "complete ineptitude of the Association". He went on to say that the forward market in cotton had become a gambling market and many members of the Association itself were indulging in it.

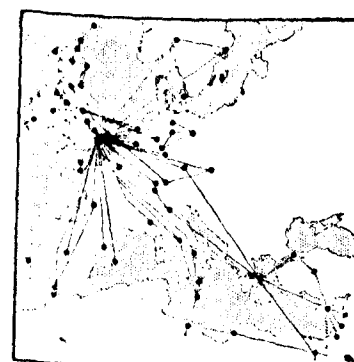
Referring to ceilings and floors on cotton, the Minister stated that while floor prices had been fixed from time to time, the ceiling was not changed because it was not normally reached. But Government had many devices to see that cotton prices did not reach the ceiling. In short, Government's intervention was justified, according to the Minister, on four counts, namely, (1) "complete ineptitude" of the East India Cotton Association, (2) operation activities of members of the Association, (3) harmful effects of gambling, and (4) Government's responsibility to keep prices of all agricultural produce at a parity. In regard to the first, the Minister was rather harsh on an association, the largest of its kind in Asia, to have referred to its complete ineptitude. As regards unhealthy speculation, whether it is by any odd individual or a representative of the Association, it is proper that such should be checked. But on the question of floors and ceiling, the Minister was not convincing enough. The question of changing the ceilings normally arises only at the beginning of the season and not when it is halfway through. The intervention of the authorities is called for only when the prices pierce or are very near to piercing the ceilings. In fact, it was pointed out by the trade that at the time the Government decided to impose a blanket ban on cotton futures trading, the ruling price was not near the ceiling. It is surprising that the Minister, after admitting that this year's cotton crop was less than last year's and also the fact that the quality of the crop has suffered deterioration, should still defend Government intervention. The above factors are sufficient reasons in themselves to bring about a steadily rising trend in prices. In effect, the situation that developed in the cotton trade was the result of the normal interplay of the law of supply and demand and as such one cannot but come to the conclusion that the situation has been rendered unusual by the "susceptibilities" of individuals, on the Government's side as well as on that of vested interests.



WHEN IN EUROPE

fly **BEA** IN EUROPE'S FINEST AIR FLEET

For business, for pleasure—you'll do far more and see far more... if you fly BEA on your next trip to Europe. BEA's famous—and ever-expanding—network offers passengers fast and frequent services to over 50 of Europe's main business and holiday centres. BEA have more of the best airliners—more VISCOUNTS, for example, than any airline in the world. And BEA's long experience in air transport means you enjoy comfort on all routes, and personal service second to none.



BEA links LONDON with most of the principal cities of Europe, including—PARIS · NICE · BRUSSELS · VIENNA · AMSTERDAM · OSLO · STOCKHOLM · COPENHAGEN · HAMBURG · GENEVA · ZURICH · BARCELONA · ISTANBUL · MADRID · LISBON · PALMA · MILAN · ROME · NAPLES · ATHENS, and further afield, for example, to GIBRALTAR · MALTA · CYPRUS and CAIRO as well as WITHIN BRITAIN.

... and fly on the BEA CAR HIRE PLAN

BEA's new Car Hire Plan now makes the rest of your travel smooth as clockwork—in France, Holland, Belgium, Switzerland, Norway, Sweden, Denmark, Italy, Germany, Cyprus and in Great Britain. No deposit; full insurance.

BRITISH EUROPEAN AIRWAYS

Full details of air reservations from your local Travel Agent or any office of B.O.A.C. All arrangements for car bookings at BEA Offices in Europe; or BEA, Dorland Hall, 14-20, Regent Street, London, S.W.1. Gerrard 9833.



Xm2, N49CE

N49-26

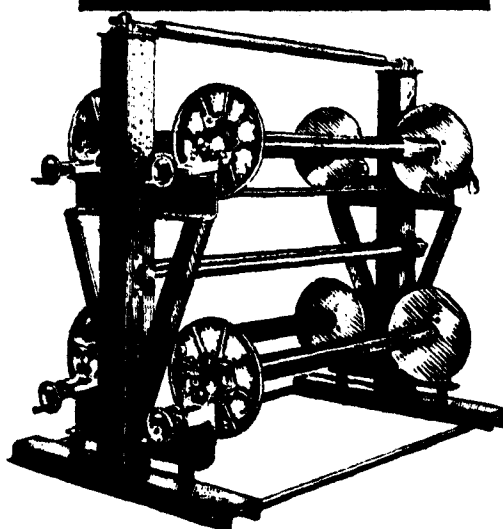
162177

Why worry!

SIZING & DYEING NO MORE A PROBLEM

Insist on New Design

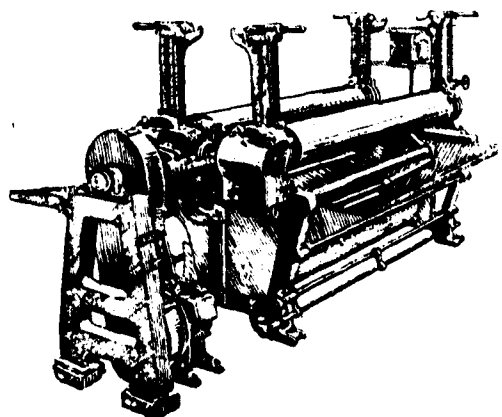
UNIVERSAL SIZING CREEL



Tensionless Vertical Universal Sizing Creel to take four beams, anti-friction roller bearings, saves valuable floor space, easy of approach to beam-ends.

&

TENSIONLESS SEMI AUTOMATIC DYEING JIGGER



Tensionless Semi Automatic Squeezing Type Stainless Steel Jigger, with Ebonite rollers, with self-aligning ball bearings, complete with electric motor and reversing switch.

Enquiries to: **TEKMACO**
(GWALIOR) LTD.

Sales Offices at:

BOMBAY 254A, Annie Besant Road, Worli.	DELHI Rohatgi Mansion, Kashmere Gate, Hamilton Road.	AHMEDABAD Chotey Lal Bldg., Kadia Kul, Relief Road.	BANGALORE 64, 2nd Cross, Gandhinagar.
--	---	--	---

TR/4

COMMODITY NEWS AND NOTES

PAKISTAN COTTON FOR INDIA

The announcement on February 15, in respect of import of raw cotton from Pakistan has come as a welcome contributory factor to ease the tension in trade relations between India and Pakistan. According to this notification, import of raw cotton of 3" and above is to be allowed from Pakistan, with immediate effect. It may be noted here that the recently renewed Indo-Pakistan Trade Agreement provided for the import of Pakistan cotton of the order of 50,000 bales of 3" cotton.

It is for the first time that the Government of India has permitted imports of 3" and above cotton, all cotton imports in the past having been confined to 1.1/16" cotton. Another feature of the announcement is that the import is to be on consignment, and not on firm basis.

Well-informed trade circles in Bombay anticipated some development of this nature, following the recent visits of the President and the Secretary of the Karachi Cotton Association, so that, when the announcement did come, it had been all but discounted by the market. Moreover, before advantage could be taken of the Government announcement, some hurdles have to be overcome. Thus, the wide disparity between Pakistan cotton and the comparable variety of indigenous cotton has proved to be a major hurdle. It was pointed out that Indian mills could get Vijay cotton at around Rs. 870, the same more or less as the price for comparable styles of Karachi cotton, NT RG. But to this has to be added the export duty of Rs. 270 and incidental expenses involved in getting the cotton down to this country, so that the difference between Indian and Pakistan cotton of the same grade and staple length comes to around Rs. 300 in favour of Indian cotton. It becomes obvious, therefore, that, unless Pakistan persuades herself completely to do away with the export duty, no appreciable business could be hoped for in Pakistan cotton. Even while the chances of import of Pakistan cotton are thus nebulous, is it not rather amusing that South Indian and Kanpur mills are reportedly strongly canvassing for a lion's share of Pakistan cotton?

WORLD TIN OUTPUT

The International Tin Study Group of the Hague estimates 1955 mine world production of tin in concentrates, exclusive of China and the Soviet Union, as 163,000 tons. This estimate is 0.9 per cent lower than actual production in 1954. Production was higher in Malaya, Belgian Congo, Siam and Nigeria, but lower in Indonesia and Bolivia. Malaya's total for 1955 at 61,425 tons reached a new post-war record and was 0.9 per cent higher than in 1954, while that of the Belgian Congo rose by 4.8 per cent to 15,208 tons. Outputs by Siam and Nigeria are estimated at 10,875 tons and 8,060 tons, or respectively, 11.2 per cent and 1.7 per cent more than in the previous year. Indonesian mine production fell from 35,861 tons in 1954 to 33,368 tons. Bolivian exports in 1955 are estimated at 27,400 tons or 5 per cent less.

World consumption of tin metals, excluding China and Soviet Union, in 1955, has risen by 7.6 per cent from 138,500 tons to 149,000 tons. Consumption of tin for the manufacture of tin plate rose by 9 per cent from 59,200 tons to 62,700 tons. World smelters production exclusive of China and Soviet Union declined from 176,000 tons in 1954 to 170,500 tons in 1955.

INDIAN PEPPER VS. INDONESIAN PEPPER

During 1934-38, Indonesia was the largest exporter of pepper—her exports being 57 thousand metric tons

out of a total world export of 107 thousand metric tons per annum on an average. After war, however, position changed considerably and during 1951, Indonesian exports, according to figures published by F.A.O. amounted to only 3,458 metric tons out of a total of world exports of 42,000 metric tons. India, in contrast, has gained position in the post war period and has become the chief exporter of this commodity. During November and December last year pepper exports from India totalled 64,683 cwts as against 43,260 cwts for the corresponding period in the previous year. U.S.A. accounted for over half of India's exports of this item. In January-May 1955, U.S. unground pepper imports were 12.8 million lbs. out of which Indonesia supplied 182,738 lbs. while India supplied 10,078,897 lbs. Earnings from Indian pepper exports, have declined to Rs. 4.4 crores in 1955 as against Rs. 8.1 crores in 1954, partly due to revival of competition from Indonesian pepper and partly as a result of downward trend in its prices—Rs. 775 per candy, and also due to abolition of export duty in September, 1955.

Persistent efforts are being made in Indonesia to increase the production of pepper. In her second plan, Indonesia has fixed a target of 20,000 tons by 1959.

Production of black pepper in India in the year 1953-54 was 24,000 tons and in 1954-55 it was only 26,000 tons.

THIRD ESTIMATE OF SESAMUM

According to the Directorate of Economics and Statistics, the all-India third estimate of sesamum (til or gingelly) for the year 1955-56 puts the current year's acreage and production at 5,587,000 acres and 461,000 tons, as against the adjusted third estimate of 6,123,000 acres and 588,000 tons respectively for 1954-55. This shows a decline of 536,000 acres or 8.8 per cent in area and 127,000 tons or 21.6 per cent in production over last year.

The decline in the acreage and production of sesamum has occurred in almost all the sesamum-growing States and is marked in Uttar Pradesh, Rajasthan, Madhya Pradesh, Hyderabad, Madhya Bharat and Bombay. The decline in area has been attributed to unfavourable climatic conditions this year, particularly during the period of the crop. This estimate does not cover the entire area sown to this crop during 1955-56.

FREE WORLD COTTON STOCKS

The International Cotton Advisory Committee declared recently that at the start of the present season free world stocks of cotton had risen to 20.3 million bales, of which 11.1 million bales were in the United States and the balance of 9.2 million bales in other free world countries. Aggregate free world production is estimated at 30.8 million, an increase of 1.4 million bales compared with 1954-55. It is extremely doubtful if there will be any significant increase in free world consumption this season, the Committee warned. It noted that if there was no improvement in the outlook, in Western Europe, consumption could conceivably decline.

Based on last season consumption of 27.6 million bales, free world production this season appears likely to outstrip consumption by over 3 million bales. Even if allowance is made for a possible increase in net to the Communist countries, the imbalance between supply and demand is likely to be of the order between 2.5-3 million bales, and carry over stocks on August 1, 1956, will be increased by this amount. Stocks on that date are at present expected to be around 23 million bales.

COMPANY AFFAIRS

KILLICK INDUSTRIES LTD.

The Directors' Report of the Company's working for the year ended June 30, 1955, shows that it has resulted in a profit of

	Rs.
sulted in a profit of	26,39,567
Add balance brought forward from last year	18,107

Total profit	26,57,674
After making a provision for Taxation of	11,00,000

There remains a balance of 15,57,674
Out of this balance, the Directors have decided to appropriate the following sums:

To Writing Off New Share Capital	Rs.
Issue Expenses	1,626
To General Reserve	2,00,000
To Equalisation of Dividends Reserve	1,00,000
To Employees' Retirement Reserve	1,13,405
To Employees' Welfare Reserve	28,138
To Development Reserve	8,351
TOTAL	4,51,520

Leaving a balance of	11,06,154
Out of which there has been paid an interim Dividend at the rate of Rs. 4/- per share, free of Income-Tax, for the period from July 1, 1954 to December 31, 1954, during the year ended June 30, 1955, absorbing	4,00,000
There then remains a balance of	7,06,154
The Directors recommend a Final Dividend at the rate of Rs. 7/- per share (making 11 per cent for the year) free of Income-Tax which will absorb	7,00,000
Leaving to be carried forward to next year	6,154

In the managed companies, conditions in the Kohinoor Mills Co., Ltd., during the year ended December 31, 1954, were not so good as they were in the previous year. A fairly satisfactory demand for cloth and yarn continued, but the textile industry faced a downward tendency in prices, which became more marked towards the end of the year. The offtake from the Mills was, however, as good as could be expected.

There was satisfactory progress with 'C' station development of the Ahmedabad Electricity Co., Ltd., and the load development continued to be satisfactory. The new issue of capital of Rs. 1,75,00,000 made by the Company was over-subscribed, indicating the investors' confidence in its future.

Following limited relaxation in restrictions and loads specially sanctioned, the Bombay Suburban Electric Supply Ltd., showed improved results during the year ended March 31, 1955.

Sales of energy of the Surat Electricity Co., Ltd., continued to progress, and a number of modifications and reinforcements were carried out during the year ended 31-12-1954 to improve the distribution system and to cater for new loads. Satisfactory progress continued in other companies also.

THE MYSORE KIRLOSKAR LTD.

The Audited Balance Sheet and Profit and Loss Account of the Company for the year ended June 6, 1955 show that after appropriating Rs. 50,000 towards a part provision for the Gratuity Fund, the net profit of the Company during the year amounts to Rs. 1,55,051. Added to this last year's balance of Rs. 6,055, the total comes to Rs. 1,61,106 which the Directors propose to distribute as follows:

	Rs.
For payment of dividend at the rate of 5 plus additional 1 per cent (total 6 per cent) per annum, free of Income-Tax, on the paid-up Capital of the Company as on June 30, 1955	1,35,000
For Reserve Fund	25,000
TOTAL	1,60,000

After appropriating the amount as above, there remains a balance of Rs. 1,106 which is proposed to be carried forward to the next year.

During the year under review, further progress has been made in the manufacture of all Geared-head lathes. The Directors have proposed to increase the Authorised Capital of the Company from Rs. 25 lakhs to Rs. 50 lakhs to facilitate further expansion.

Subject to certain provisions, the Directors have also proposed to pay bonus for the year 1954-55 to all employees of the Company including the Staff and the General Manager.

THE AGARPARA CO., LTD.

The Directors' Report with the Audited Accounts of the Company for the half-year ended March 31, 1955, shows that, with the sum of Rs. 4,13,973 brought forward from the previous half-year and after providing for Depreciation and all other charges, there remains a balance of Rs. 9,52,027, from which the Directors have set aside Rs. 1,40,000 for taxation, leaving a balance of Rs. 8,12,027. After deducting from this balance the dividends and allocation to general reserve for the half-year ended 30-9-54, there remains a balance of Rs. 5,02,027 which the Directors propose to deal with as follows:

	Rs.
To payment of Dividend on 10,000 Preference Shares at 7 per cent per annum free of Income Tax	35,000
To payment of Dividend on 6,00,000 Ordinary Shares at 7½ per cent per annum, free of Income-Tax	2,25,000
To carry forward to next period	2,42,027
TOTAL	5,02,027

Trading conditions were fair during the period under review. Prices of raw jute, however, rose steeply towards the close of the period without a corresponding rise in the prices of manufactured goods whereby trading conditions again became difficult.

Company Meeting

THE SCINDIA STEAM NAVIGATION CO., LTD.

Speech delivered by the Chairman, Shri Dharamsey M. Khatau, at the 36th Ordinary General Meeting of the Company held on Wednesday, the 22nd February, 1956, at 4 p.m. at Scindia House, Ballard Estate, Bombay.

Gentlemen,

I assume that, as usual, you will permit me to take as read the Directors' Report and the Audited Accounts for the year ended the 30th June, 1955, which have been in your hands for some time now.

It is regrettable that the results this year have been less satisfactory than in the previous year. There are four main causes for this. The Dockers' strike in the U.K. and the congestion at U.K. and Indian ports and the 'Go Slow' of Port and Stevedoring Labour caused a delay of 380 voyage days. The loading of rice at Rangoon was about 400 tons per day as against the anticipated 800 tons per day on which the freight rates are based. This caused considerable loss. The cost of stevedoring has risen to the extent of about 15% over the previous year. The cost of Marine Dues, Claims, etc., have also gone up. The cost of coal increased by about Rs. 10 per ton. The necessity of chartering vessels to fulfil commitments for rice liftings from Burma was unprofitable. This would not have been necessary if the construction of ships at the Visakhapatnam Shipyard had proceeded according to programme.

In view of the unsatisfactory results the Managing Agents have agreed to accept Rs. 8 lakhs only and waive the balance of Rs. 2,26,951 provided that the amount so waived is exempted from Income-tax in their hands. Our thanks are due to the Managing Agents for this gesture.

Our Reserves and Surplus now amount to Rs. 6.51 crores against Rs. 6.27 crores last year. Our Specific Reserves have increased from 5.29 crores to Rs. 5.94 crores at the end of the year.

As we are in need of finance for further modernisation of our tonnage, we have requested the Government to release Rs. 2.47 crores invested in the shares of Hindustan Shipyard Ltd. and Eastern Shipping Corporation Ltd.

COASTAL FREIGHTS

The tonnage plying on the coast today is hardly sufficient to carry all available cargoes. Though coastal trade has been reserved for national shipping and loans are available from Government for the acquisition of additional ships, these measures have achieved little success in promoting the development of coastal shipping. During the five years from 1950 to 1955 coastal tonnage has increased only by about 22 per cent from about 2,00,000 tons gross to 2,44,000 tons gross. I do not wish, on this occasion, to take you into the several factors, beyond the control of shipowners, that have been responsible for this position. Suffice it to say that, due to the prevailing unsatisfactory conditions all-round, about 20 per cent more tonnage is now required to carry the same volume of traffic. This has artificially aggravated the shortage of tonnage on the coast.

There is, therefore, no doubt that expansion of coastal shipping is necessary in order not only to cope with the increasing demand but also to relieve its pressure on the railways in the larger interests of the country's economy. But expansion means building new

ships or buying secondhand ships at the very high prices prevailing today. A standard coastal ship which used to cost about Rs. 44 lakhs in 1950 would now cost about Rs. 80 lakhs. Taking all these factors into consideration it is impossible for any Company to acquire additional tonnage at today's prices when there is hardly any prospect of operating costs diminishing unless the rates of freight are raised to an economic level.

It was with full realisation of this serious position that in April 1955 the Coastal Conference decided to make a modest increase of 10 per cent in freight rates on general cargo with effect from 1st June, and to request Government for a similar increase in coal rates with effect from shipments for May 1955. Prior to that, many of the Overseas Conferences had already increased their rates by 10 per cent in order to cover the increased costs of operation. Due to some unfortunate developments—into the details of which I do not wish to take you—the proposed increase in coastal rates could not be brought into effect. In the meantime, it was suggested by Government that the freight rate structure on the coast should be maintained without any increase until the findings of the Rail-Sea Co-ordination Committee were available. On further representations by the Conference, Government have allowed a meagre increase of 5 per cent in the rates on coal and general cargoes with effect from the 15th October last pending the recommendations of the Committee.

In the opinion of the Coastal Conference the rates of freight should be fixed at a level at which it will be possible for the companies not only to meet fully the costs of operation and at least normal depreciation but also to make a reasonable provision for rehabilitation of fleet and earn a fair return on capital employed. The operating costs show an average increase of about 2½ per cent every year. Therefore, if the rates that may be fixed as a result of the present enquiry are to remain in force during at least the next ½ year, an allowance of 5 per cent should be made on the current level of operating costs. The existing coastal fleets include a number of ships which were acquired at low cost and which being now very old will require replacement at no distant date. A provision for rehabilitation of fleet out of earnings is therefore a necessity. This should be equal at least to the normal depreciation on the cost of ships though it will by no means be adequate, considering that it will be liable to taxation. As regards return on capital, it is understood that the Tariff Commission allow 10 per cent on gross block value. This is intended to cover interest on loans or debentures, Managing Agents' remuneration, income-tax, profit-sharing bonus, dividend to shareholders and allocation to reserves. There is no reason why a similar return should not be granted in the case of the shipping industry while fixing the rates of freight.

It has been estimated that on the above basis the short-fall of earnings over operating expenses, etc., comes to 28 per cent of the earnings as against the increase of only 5 per cent made last October. In the case of a newly built ship the short-fall on the above basis, but without providing for rehabilitation comes to over 50 per cent. While I am not suggesting that the rates should be enhanced to this extent, I do hope and trust that Government will recognize the necessity to

provide reasonable incentive to the shipping companies for expansion of their tonnage to the extent required in order to cope with the country's requirements of coastal transport. Unless the question is dealt with from this point of view, a serious transport bottleneck may develop during the second Five-Year Plan period.

Pending the submission of report by the Committee and its consideration by Government some further interim relief is urgently necessary. The Conference has, therefore, urged that as an interim measure the current rates of freight on coal and general cargo be increased at least by 15 per cent with effect from 1st March, 1956. We trust that the urgency of this question will be taken into consideration and early relief granted by Government.

MADRAS-RANGOON PASSENGER SERVICE

Gentlemen, I informed you last year that we would be compelled to stop this service altogether unless we could secure adequate assistance from Government to enable us to cover our losses caused by considerable decline in cargo and passenger traffic. The attention of Government was drawn to the seriousness of the position long in advance. Though Government were willing to grant the necessary loan for acquisition of a new passenger vessel, the complete cessation of rice imports and the decline in trade between the two countries led us to the conclusion that the employment of a new ship, which would cost Rs. 1½ crores or more, would be an uneconomic proposition. For this reason and also in view of Government's policy not to grant any direct financial assistance, we had no alternative but to discontinue this service in July 1955 after giving sufficient notice to all concerned. There was, however, a pressing demand from the travelling public for resumption of this service and, as desired by Government, we restarted it last August with m.v. "Sonavati" by withdrawing her for the purpose from her normal service on the West Coast. While she is rather small and was not built for such a passenger service, no other more suitable ship was available. Government were fully advised of the type and condition of this vessel. It is, therefore, unfortunate that it should have been stated in the Lok Sabha last September that the service "was suddenly stopped" and that "a sort of rickety ship had been put on the voyage."

At the moment the m.v. "Sonavati" is undergoing her special survey and is expected to be again in commission towards the end of next month. It is intended to revert her to the West Coast as soon as other arrangements are made by Government to maintain this passenger-cum-cargo service.

INDIA-UK-CONTINENT TRADE

We have now secured full membership of the Conferences governing the trades from the UK and Continental ports to India and Pakistan and vice-versa. We have also been admitted as member of the Conference which governs the trade between Western Italy and Pakistan and Ceylon. Some of the foreign lines also have secured increased rights and have expanded their tonnage.

I informed you last year that we have not been admitted to membership of the Conferences governing the trade from the UK and Continental ports to Aden and Colombo and vice-versa. This unsatisfactory position, I regret to say, still continues. I cannot emphasize too strongly that Indian Lines have a legitimate claims for participation in these way-port trades. We are still pursuing this matter and shall make every effort to secure our rights.

The combined lifting of the two Indian Lines—Messrs. India Steamship and ourselves—of the exports from India to the UK and Continental countries amount barely to 15 per cent of our total exports to these

countries. As soon as the new ships on order are delivered we intend to employ 13 ships in these trades. Even so, in the entire overseas trade of this country, the participation of Indian Lines comes barely to 5 per cent. We have, therefore, still to go a long way towards the target of attaining a 50 per cent share in the carriage of our overseas trade. But we are going to expand and I wish to emphasize that it is the ambition of the Indian Lines to participate equally in the carriage of the foreign trade of this country.

TONNAGE PROGRAMME

The question of building new ships for the coast is very difficult. I have already informed you about the very unsatisfactory state of affairs on the coast at present. Needless to repeat that no shipowner can think of building new ships for the coast unless the existing conditions show material improvement.

As already stated by me, we are now full members of the India/UK-Continent Conferences and are at liberty to employ in this trade such volume of tonnage as we consider reasonable. We propose to employ 18 modern ships in this service. But on delivery of all the ships now on order we shall have only 15 modern ships—six 17-knotters, four 14-knotters and five 12-knotters. The four 14-knotters are already in commission. Two 12-knotters delivered by the Visakhapatnam Shipbuilding Yard are also in commission; the third ship is expected to be delivered next May and the remaining two in the second half of 1957. Six 17-knotters have been ordered with Messrs. Lubeck's Shipbuilding Yard in Western Germany. The first three of them were ordered in March 1955, and three more ships were ordered in August last after I had discussions with shipbuilders in the UK and on the Continent and after visiting the Lubeck Yard. We have placed these orders at an agreed base price subject to the usual "rise and fall" clause but with a ceiling. Since then the prices of new ships have risen and deliveries are longer. Further, the shipyards in the UK and on the Continent, being now fully booked with orders for cargo and tanker tonnage, are reluctant to accept orders at a base price subject to a ceiling, with the result that shipowners' liability under the "rise and fall" clause will be unlimited. There is no knowing as to what the final price of the ship would be when she is delivered. Your Company, therefore, has done well in placing these orders at an appropriate time and on satisfactory terms.

In order to have a fleet of 18 fast ships we shall need three new ships; besides, one or two more ships will be required by way of substitutes when other ships are under special survey. It means ordering four or five ships similar to the new Jal-Azad and Jal-Jawahar which are already in commission. As you know, we are committed to borrow from Government about Rs. 8½ crores in respect of the ships already ordered in Germany. Purchase of additional four or five ships will involve further borrowing from Government, which will be of the order of about Rs. 5 crores. Though the prospects in the India/UK-Continent trade are likely to continue to be promising in view of our country's increased requirements under the second Five-Year Plan, owing to the large sum of money involved, your Directors are giving serious consideration to this question and will reach a decision after examining it from every angle.

B.S.N. (1953) LTD.

The operations of this Subsidiary during the year have resulted in a loss of Rs. 4.25 lakhs. This is due to heavy cost of repairs and surveys owing to old age of its vessels; these costs for the ensuing year are likely to be still heavier. Another factor responsible for the loss is the complete suspension of the Company's passenger service between Bombay and Pajim (Goa).

It is difficult at the moment to surmise as to when it would be possible to resume this Service.

Four of the six vessels operated by this Company are more than 20 years old and will need to be replaced during the next three to four years. The cost of replacement of four ships is estimated at about Rs. 3 crores and, even if orders were placed now, it would take not less than 24 months to obtain deliveries. Before we can decide to make such a heavy commitment we would like to make sure that we would be able to earn an adequate return on capital after meeting costs of operation and providing for at least normal depreciation. This is not possible at the present level of fares. In these circumstances we requested Government as early as last August for an increase of 33-1/3 per cent in the existing passenger fares. Government have now referred our proposals to a Shipping Rates Advisory Board consisting of Shri N. S. Lokur, Chairman, Railway Rates Tribunal.

You will agree with me that the Company cannot go on incurring losses year after year and, unless adequate increase in passenger fares is allowed, we may have to consider seriously, the question of closing down these services. I hope and trust that the Authorities will consider this question seriously, keeping in mind the importance of maintaining these services which provide the only convenient link between the Konkan ports and Bombay for 12 lakhs of passengers.

PROSPECTS FOR THE CURRENT YEAR

I would now like to acquaint you with the prospects for the current year as they appear to me. On the expenditure side, costs of operation under various heads show no signs of decrease. Actually there is bound to be increased expenditure under certain items, for example, we shall have to spend considerably more on

ship repairs in view of a larger number of ships having to be put through special surveys during 1955-56. Some of these ships are older and will, therefore, require heavier repairs. Stevedoring costs are already high and will increase further on account of the introduction of Piece Rate system of payment to labour. As regards fuel-oil, there was an increase of sh. 5/- in the prices with effect from March, 1955, and a further increase of sh. 7.6d. from 1st January of the current year; from the 15th of the next month the prices will further increase by about sh. 3/-. On the other hand, as I have already stated, two German-built and two Visakh-built ships were delivered to us during 1955. Three of them will have been in commission practically for the whole of the current year and one for nearly six months. The increase of 10 per cent in freight rates from February 1955 together with comparatively brisk movement of cargoes from the UK and Continental ports to India will show its full effect in the current year. The further increase of 10 per cent in rates which will be effective from next month will be only partly reflected in the current year. A distinct improvement in our freight earnings in the India/UK-Continent service may, therefore, be expected. On the Coast, so far as working conditions at ports are concerned, one may hope that the corner will be turned as a result of the introduction of the Piece Rate system of payment. The rate of freight on salt from Saurashtra to Calcutta has been fixed at Rs. 31.4 per tons for the year 1956, which is Rs. 3-2 more than the previous rate. The rates on coal and general cargoes were increased by 5 per cent last October. Any further increase that it may be possible to secure in coastal rates will not be fully reflected in the current year. Having regard to the position I have indicated, it appears to me that on the whole the working during the current year should be reasonably satisfactory compared with the year under review.

THE RAMAYANA OF TULSIDAS IN ENGLISH VERSE

LATEST "HINDUSTAN TIMES" PUBLICATION

The famous Hindi epic regarded by many as "the greatest book in all devotional literature" is for the first time now available in English verse.

The translator, the Rev. A. G. Atkins, completed the book after ten years of devoted work. He has tried "to keep and express in English in the fine rhythm and music of the original in simple lucid language, and with as much of the vivacity, wittiness and picturesqueness that Tulsidas has put into his work." He has also followed in some measure Tulsidas's metrical variations such as *chhand*, *chaupai*, *doha* and *soratha*.

In a foreword Mr C. Rajagopalachari says: "Mr Atkins' monumental work and his Introduction are a revelation of hope for those who desire to see all the great religions of mankind come together. . . . His service is not only to English-speaking people but also to that very large number of Hindus in India who do not speak the Hindi language and to whom English has become a very familiar medium."

The book is of special value to libraries, scholars and devotees of Tulsidas.

It has been issued in the following four editions:

- I. Original text of Tulsidas with translation in English verse; three volumes; 1468 pages; price Rs. 50 net.
- II. Translation in English verse; without Hindi text, two volume; 898 pages; price Rs. 40 net.
- III. Special tissue paper edition of I, one volume, price Rs. 100 net.
- IV. Special tissue paper edition of II, one volume, price Rs. 100 net.

POSTAGE EXTRA

The Manager,

THE HINDUSTAN TIMES,
NEW DELHI.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

		Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)				
		Food Articles	Indus. Raw Materials	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.	
1947-48	..	308.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..	
1948-49	..	382.9	444.8	327.3	346.1	523.2	376.2	..	..	..	..	
1949-50	..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..	
1950-51	..	416.1	523.1	348.9	354.2	707.4	409.7	..	..	..	..	
1951-52	..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..	
1952-53	..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..	
1953-54	..	384.4	467.7	359.2	367.4	686.6	397.5	90.1	100.6	87.3	95.6	
1954-55	..	339.8	436.2	350.3	377.5	612.4	377.4	90.5	100.7	88.4	113.0	
April 1955	..	283.6	398.6*	327.8	377.1*	541.2	345.4*	90.5	100.6	87.5	115.1	
May ..	..	276.1	396.4	329.6	374.6	541.6	342.0	90.7	100.7	87.8	112.9	
June ..	..	281.8*	390.4	329.7*	370.0	567.4*	342.5*	90.8	100.6	87.5	113.2	
July ..	..	309.7*	408.1*	329.6	370.9*	562.6*	355.6*	90.9	100.7	87.8	117.9	
August ..	..	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.8	122.8	
September ..	..	313.0	396.1	324.8*	368.8	556.3	353.2	90.9	100.7	87.2	122.8	
October ..	..	315.7	403.7*	329.8	371.2	559.3	357.2*	91.0	100.7	87.2	124.5	
November ..	..	326.5	418.9*	338.1	373.3	513.3*	365.6*	91.0	101.0	87.7	120.9	
December ..	..	323.7*	438.3	346.6	373.0	541.2	368.4	91.0	101.0	87.7	130.6	
January 1956	..	333.2	455.5	351.6	375.2	539.8	375.8	91.0	101.0	87.3	125.7	
Week Ending 7-1-1956	..	331.3	457.4*	351.9*	375.6	548.7	375.8	91.1	101.1	87.5	126.8	
14-1-1956	..	333.8	455.2	352.4	375.8	538.4	376.1	91.1	101.1	87.3	126.8	
21-1-1956	..	333.6	452.0	351.4	374.4	536.6	375.6	91.1	101.1	87.2	125.8	
28-1-1956	..	334.0*	456.1*	347.6	374.9	537.1*	375.3	91.1	101.1	87.1	123.6	
4-2-1956	..	331.1	468.4	349.3	375.4	531.5	376.3	91.2	101.1	87.0	121.9	

†Economic Adviser's Series.

*Average of weeks.

††Reserve Bank Series.

*Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS
(August 1939=100)

Period	Bombay			Delhi		Bengal		U. P.		Central Provinces		Madras		E. P.		Bihar		All India†
	Bombay	Bombay June 1934 = 100	Alameda July 1927 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur	Madras June 1936 = 100	Ludhiana	Amritsar	Calcutta	Madras June 1936 = 100	Ludhiana	Amritsar	Calcutta	Madras June 1936 = 100	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—	—	—	—	—	—	134
1948	288	303	243	132	339	471	372	146	309	168	136	—	—	—	—	—	—	138
1949	292	307	248	132	348	478	377	151	323	164	138	—	—	—	—	—	—	138
1950	298	313	257	132	349	481	372	153	325	165	145	—	—	—	—	—	—	144
1951	314	330	261	142	370	451	391	168	334	167	160	—	—	—	—	—	—	141
1952	321	337	250	143	351	441	380	150	330	151	154	—	—	—	—	—	—	145
1953	346	363	275	140	349	433	387	151	351	147	156	—	—	—	—	—	—	138
1954	342	359	244	138	327	408	373	139	341	148	140	—	—	—	—	—	—	138
1955	322	338	218	130	—	—	—	—	321	—	—	—	—	—	—	—	—	—
1955 April	324	340	205	126	311	352	353	130	314	129	129	—	—	—	—	—	—	128
May ..	320	336	204	122	316	335	351	128	307	131	129	—	—	—	—	—	—	127
June ..	317	333	211	123	317	347	359	131	311	131	129	—	—	—	—	—	—	130
July ..	324	340	224	129	325	371	364	136	316	134	134	—	—	—	—	—	—	132
August ..	325	341	229	134	329	375	364	137	318	136	138	—	—	—	—	—	—	134
September ..	317	333	224	133	327	373	—	133	322	138	137	—	—	—	—	—	—	132
October ..	315	331	225	134	334	385	—	—	323	—	—	—	—	—	—	—	—	—
November ..	314	330	229	136	330	392	—	—	327	—	—	—	—	—	—	—	—	—
December ..	312	332	230	140	—	393	—	—	334	—	—	—	—	—	—	—	—	—
1956 January	—	—	—	139	—	404	—	—	334	—	—	—	—	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	11-2-1956			11-2-1956			4-2-1956			28-1-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	98-4	96-11	97-11	97-5	95-4	96-5	95-9	94-6	95-0	96-14	94-16	96-0
Silver (per 100 fine tolas)	175-12	173-10	174-10	176-5	172-13	174-5	175-1	172-10	174-0	178-4	174-14	176-5

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupree Coin	Rupree Securities	Total Assets
1938-39*	182,36	28,28	210,64	44,42	66,95	111,37	52.91	67,11	32,16	210,64
1947-48*	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49*	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,02a	1,253,86
	(5,58)	(—)	(5,58)					(90)		(5,58)
1949-50*	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51*	1,163,21	17,19	1,180,40	40,02	624,70	664,72	56.31	57,21	458,47	1,180,40
1951-52*	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.84	63,98	488,36	1,217,62
1952-53*	1,114,84	27,87	1,142,72	40,02	664,40	704,42	61.64	80,22	458,08	1,142,72
1953-54*	1,133,95	23,03	1,156,97	40,02	694,02	734,04	63.48	92,83	480,11	1,156,97
1954-55*	1,197,05	22,98	1,219,17	40,02	648,90	688,92	56.47	102,25	428,61	1,360,17
Average of Fridays										
June ..	1,324,56	17,97	1,342,53	40,02	652,04	692,06	51.55	104,33	543,65	1,340,03
July ..	1,308,93	29,34	1,338,27	40,02	646,04	686,06	51.34	105,87	543,65	1,338,27
August ..	1,299,00	26,50	1,325,50	40,02	633,29	673,29	50.79	108,24	543,69	1,325,50
September ..	1,290,78	23,49	1,314,27	40,02	668,82	708,84	53.93	110,51	494,93	1,314,27
October ..	1,303,25	10,97	1,314,22	40,02	632,07	672,09	51.09	110,95	531,18	1,314,22
November ..	1,327,06	14,27	1,341,33	40,02	642,08	682,09	50.85	109,38	549,84	1,341,33
December ..	1,350,04	10,13	1,360,17	40,02	662,98	702,99	50.95	108,56	548,61	1,360,17
January 1956	1,384,06	16,67	1,400,73	40,02	679,49	719,52	51.37	106,52	574,69	1,400,73
Week Ending										
13-1-1956	1,388,75	13,00	1,401,75	40,02	691,91	731,93	52.22	106,31	563,52	1,401,75
20-1-1956	1,382,71	19,11	1,401,83	40,02	667,07	707,09	50.44	106,39	548,36	1,401,83
27-1-1956	1,379,07	22,99	1,402,04	40,02	667,07	707,09	50.43	106,60	588,36	1,402,04
3-2-1956	1,392,37	8,46	1,400,82	40,02	652,14	692,16	49.41	105,38	603,27	1,400,82
10-2-1956	1,407,65	7,31	1,414,96	40,02	667,16	707,18	49.98	104,56	603,23	1,407,65

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14,90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	90
1947-48*	366,79	16,93	102,47	34,21	520,40	14,55	544,96	47,24	2,62	406,95	1,57	21	81,53	4,85
1948-49*	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
	(14,33)	(3,04)									(1)			
1949-50*	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	960,54	4,34
1950-51*	148,00	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2,37	6,77	76,72	5,08
1951-52*	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53*	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,33
1953-54*	105,44	2,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19,84	81,58	7,61
1954-55*	89,13	20,66	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	26,55	80,52	9,82
Average of Fridays														
March	58,81	37,71	47,51	21,84	165,87	29,58	205,45	12,54	8,59	70,73	95	42,26	51,67	21,03
April	56,47	36,38	47,74	22,05	162,55	32,79	205,34	18,59	11,96	69,30	51	36,73	45,26	22,92
May	52,91	17,90	48,89	22,08	141,84	38,25	190,08	15,28	11,46	51,97	80	40,22	41,51	28,76
June	55,64	12,33	50,02	21,89	139,88	43,80	194,44	18,10	12,78	63,67	100	28,61	39,55	29,98
July	76,93	17,83	50,62	19,03	164,40	32,13	206,52	29,47	9,53	69,84	88	32,44	58,34	6,02
August	87,33	20,66	51,35	20,28	179,12	30,62	219,74	26,64	9,90	86,25	1,92	25,04	62,18	7,74
September	60,36	18,28	55,51	16,91	151,06	21,26	182,32	23,83	13,68	51,57	1,02	28,64	52,13	11,65
October	50,15	23,59	61,12	15,97	150,84	25,92	186,76	11,10	9,30	72,93	76	20,52	50,24	13,17
November	54,93	14,81	58,52	15,46	143,57	29,71	183,43	14,40	7,37	80,45	2,22	24,17	50,09	12,21
December	54,13	8,44	57,88	15,97	136,01	34,76	181,17	10,25	8,11	63,93	3,97	31,67	50,49	12,76
January 1956	53,56	12,51	59,90	17,49	142,53	48,77	193,81	16,82	9,33	56,74	2,82	43,77	51,13	13,21
Week Ending														
13-1-1956	54,11	8,46	55,06	15,83	131,47	51,14	182,61	13,12	13,70	43,96†	3,58	43,48	51,59	13,18
20-1-1956	52,11	13,38	67,51	21,41	152,60	55,06	207,66	19,26	6,89	72,55†	1,82	42,59	51,24	13,31
27-1-1956	54,02	18,47	65,24	17,10	154,83	50,82	205,65	23,12	4,92	67,05†	1,79	44,33	51,17	13,22
3-2-1956	52,88	14,40	63,23	15,80	146,31	52,28	208,59	8,56	2,57	81,41†	2,52	49,62	50,38	13,54
10-2-1956	60,55	11,00	53,01	15,93	140,49	53,01	203,86	7,44	3,98	71,96†	3,69	54,36	49,76	13,56

THE SECOND FIVE-YEAR PLAN

(The following figures are being reproduced from draft outline of the second Five-Year Plan. These are in continuation with similar figures reproduced last week).

INDUSTRIAL PROGRESS IN THE FIRST-PLAN

Industry	Units	Annual Installed Capacity		Actual Production	
		1950-51	1955-56 Estimated	1950-51	1955-56 Estimated
1. Iron & steel—Finished Steel (main producers)	000 tons	1,015	1,300	976	1,300
2. Aluminium Ingots	tons	4,000	7,500	3,677	7,500
3. Cement	'000 tons	3,280	5,100	2,692	4,800
4. Rayon Filament	Mill. Lbs.	4.0	28.1	0.75	16.0
5. Petroleum refining(a)	000 tons	..	3,200	..	2,500
6. Paper & paper board	..	137	220	114	180
7. Railway Rolling Stock					
(a) Locomotives	Nos.	..	170	..	170
(b) Passenger coaches	..	850	1,200	479	950
(c) Wagons	..	6,000	14,000	1,095	12,000
8. Textile Machinery:					
(a) Carding engines	..	Nil	792	Nil	690
(b) Spinning ring-frames	..	396	1,212	260	880
(c) Looms	..	3,600	5,000	1,894	2,900
9. Diesel Engines	..	6,320	21,000	5,540	10,000
10. Automobiles	..	30,000(b)	35,000	16,519	23,000
11. Bicycles	000 Nos.	120	550	101	500
12. Electric motors	000 HP	149	377	99	240
13. Transformers	000 KVA	370	550	179	520
14. Heavy Chemicals:					
(a) Sulphuric Acid	000 tons	150	268	99	160
(b) Soda Ash	..	54	90	45	80
(c) Caustic Soda	..	19	46	11	35
15. Cotton Textiles:					
(a) Yarn	Mill. Lbs.	1,689	1,775(c)	1,179	1,600
(b) Mill Cloth	Mill. Yds.	4,744	4,922(c)	3,718	5,200
16. Fertilizers:					
(a) Ammonium Sulphate	000 tons	79	426	46	380
(b) Superphosphate	..	123	228	55	100
17. Sugar	..	1,540	1,750	1,120	1,650
18. Jute Manufactures	..	1,200	1,200	892	1,000

(a) Data of new units.

(b) Capacity of the two recognised manufacturers only.

(c) Capacity as on 1st January, 1955.

Distribution of Outlay for Village and Small Industries in the Second Plan

Distribution of Outlay for Village and Small Industries in the Second Plan			(Rs. Crores)		
Industry	As recommended by the Village and Small-Scale Industries Committee	As tentatively proposed in the Plan	Industry	As recommended by the Village and Small-scale Industries Committee	As tentatively proposed in the Plan
Handloom:			Village Industries:		48.4*
Cotton weaving	80	63	Hand pounding of rice	8.3	
Silk weaving	5	1.5	Vegetable oil (ghani)	13	
Wool weaving	3	2	Leather footwear and tanning (Village)	6.2	
	88	66.5	Gur and Khandsari	8	
			Cottage match	1	
			Other village industries	11	
				47.5	
Khadi:					
Wool spinning and weaving	2.2		Handicrafts	11	9
Decentralised cotton spinning and khadi	23		Small-scale industries	65	55
	25.2		Sericulture	6	5
			Coir spinning and weaving	2	1
			General schemes (adminis- tration, research, etc.)	15	15
			TOTAL	260	200

* Includes khadi and village industries.

THE SECOND FIVE-YEAR PLAN

INDUSTRIAL PRODUCTION IN THE SECOND-PLAN

				1955-56	1960-61 (Target)		
Industry		Unit	Capacity Estimated	Production Estimated	Capacity	Production	
1. Iron & Steel:							
(a) Finished Steel (Main producers) ..	000 tons		1,300	1,300	4,500	4,300	
(b) Pig-Iron for foundries	"		380	380	750	750	
2. Structural Fabrication	tons		2,42,000	1,80,000	5,00,000	5,00,000	
3. Heavy Foundry-cum-Forge shops:							
(a) Steel Foundry	"		..	..	15,000	15,000	
(b) Forging shops (3)	"		..	..	12,000	12,000	
(c) Cast Iron Foundries	"		..	..	10,000	10,000	
4. Ferro-Manganese	"		28,000	28,000	1,60,000	1,60,000	
5. Aluminium	"		7,500	7,500	30,000	25,000	
6. Locomotives	Nos.		170	170	300	300	
7. Automobiles	"		35,000	23,000	57,000	57,000	
8. Heavy Chemicals:							
(a) Sulphuric Acid	000 tons		268	160	500	450	
(b) Soda Ash	tons		90,000	80,000	2,80,000	2,50,000	
(c) Caustic Soda	"		46,000	35,000	1,33,000	1,20,000	
9. Fertilisers:							
(a) Nitrogenous (Fixed Nitrogen) ..	tons		85,000	76,000	3,90,000	3,20,000	
(b) Phosphatic as P2O5	"		35,000	20,000	1,20,000	1,20,000	
10. Ship-building	GRT		..	50,000	..	90,000	
				(51-56)		(56-61)	
11. Cement	000 tons		5,100	4,800	12,000	10,000	
12. Refractories	tons		3,43,800	2,60,000	10,00,000	8,00,000	
13. Petroleum Refining	Mill. tons		3.625	2.5	4.31	3.8	
14. Paper and Paper board	000 tons		220	180	450	350	
15. Newsprint	tons		30,000	10,000	60,000	60,000	
16. Rayon:							
(a) Rayon filament	Mill. Lbs.		28.1	16.1	55.0	55.0	
(b) Staple fibre	"		12.0	12.0	25.0	25.0	
(c) Chemical pulp	000 tons		..	..	30.0	30.0	
17. Diesel Engines	H.P.		2,00,000	1,00,000	2,16,000	2,05,000	
18. Bicycles	000 Nos.		500	500	765	1,000*	
19. Electric Motors	H.P.		3,76,700	2,40,000	6,00,000	6,00,000	
20. A.C.S.R. Conductors	tons		15,370	9,000	15,370	15,000	

* 2,50,000 bicycles are expected to be produced in the decentralised sector so that the total production would be 12,50,000.

Estimated Additional Employment

		(Figures in lakhs)
1. Construction	21.0*	
2. Irrigation & Power	0.51	
3. Railways	2.53	
4. Other Transport and Communications	1.80	
5. Industries and Minerals	8.00	
6. Cottage & Small-scale Industries	4.50	
7. Forestry, Fisheries, N.E.S. and allied schemes	4.13	
8. Education	2.60	
9. Health	1.16	
10. Other Social Services	1.42	
11. Government Services	4.34	
TOTAL (1-11)	51.99	
12. Plus 'others' including trade and commerce @ 52% of total	27.04	
Grand Total**	79.03 or say 80	

** The estimate of construction employment may prove to be somewhat on the high side, but employment

** The estimate of construction employment may prove to be somewhat on the high side, but employment

ATUL

DYES CHEMICALS PHARMACEUTICALS



THE ATUL PRODUCTS LIMITED

ATUL, BULLAR, Western Railway

The Eastern Economist

VOL. XXVI. NO. 10.

NEW DELHI: MARCH 9, 1956.

ONE RUPEE.

CONTENTS

	Page		Page
Leading Articles:		Special Articles:	
THE PRIVATE SECTOR	389	CANNING WHAT WE CAN	407
RETREAT ON TEA AUCTIONS	391	INDIA'S ADMINISTRATIVE PROBLEM—III SERVICES UNDER DEMOCRACY By Sardar K. M. Panikkar	408
INCOME-TAX EVASION	392	ECONOMIC REPORT FROM THE U.S.:	
THE WEEK'S NOTES	395	U.S. Foreign Trade Policy	410
Finance Minister's Smear Campaign; Dif- ficulties of a Dakshin Pradesh; Indo- British Relations; Britain's Darkest Hour; Independence for Morocco.		The Business World:	
A WINDOW ON THE WORLD:		Implications of Budget Proposals	413
Odysseus on "East-West Traffic Should be Two Way"	399	BUSINESS NOTES	415
A Delhi Diary	401	Compensation to Insurers; Two Hurdles for the Coal Plan; The State Bank of India; Hedge Trading in Coconut Oil; Labour Legislation; Cement Imports.	
WORLDGRAM AND NEWS IN BRIEF	403	COMPANY AFFAIRS	417
		COMMODITY NEWS AND NOTES	418
		CURRENT STATISTICS	427

The Private Sector

THE Federation of Indian Chambers of Commerce and Industry has been providing opportunity every year for Indian business men to get together and review their prospects under the 'mixed economy' of the last few years. The term 'mixed' has itself implied that they have a part in the economy; and business men have been inclined to believe that it is an integral part. They have not failed to realise that their position is not in their power to decide; the decisions which have steadily altered the proportions of the mixture have remained outside their influence. But by inviting the Prime Minister to address the annual meetings of the Federation, they have sought to be in close touch with the highest level of policy-making in the land. For the assurances they have sought on their fears and doubts, they

have perhaps rarely secured convincing answers. The business men have, however, listened to, and followed to the best of their capacity, the advice given to them to change and adapt themselves to the new climate. The dynamism in the Indian economy gave them the opportunity and the strength to function effectively all along. While uncertainties did affect their business calculations, Indian business men have been fortified by a belief, based perhaps on instinct rather than reason, that the treatment accorded to them will not be less than fair.

This year, the representatives of the private sector have met in a different climate. They were deeply disturbed, as indeed they had good reason to be, by the feeling that events have been

moving too fast against them. Mr. Shantilal Mangaldas, the President of the Federation, effectively though not forcefully, raised the few important issues now troubling the private sector. But in actual fact there are not many issues but only one major issue of what the socialist pattern of society means in terms of the conditions for the functioning of the private sector. This question was not a new one, but there was a sense of urgency in asking it at the present time because of the wholly unexpected ways in which it has been interpreted lately in terms of policy.

What they got in return was not an answer to specific doubts, but a discourse on the philosophy behind the socialist approach, with the insinuation that its meaning might yet elude their grasp. Mr. Nehru told them that there was an element of inevitability about the socialist trend in the world because of the qualitative changes caused by modern scientific advance, especially after the advent of atomic energy. *Prima facie*, this seems incontrovertible because the modern State is indeed becoming a leviathan. To say that it is therefore socialistic involves the acceptance of the fallacy (of the extreme *laissez-faire* school) that any extension of the powers of the democratic State is itself socialism—a view to which most modern socialists would be reluctant to subscribe. There were diehards who at one time believed that the penny post was the precursor of Bolshevism. The nature of atomic energy certainly makes it necessary that it should be publicly owned and controlled even in a free enterprise system like that of the United States. But that has not by any logical imperative submerged the wide range of distinctions between the United States at the one end and the Soviet Union at the other extreme. Indeed, there is a logical basis for arguing that since the State has such a tremendous source of power which it cannot refuse to take up, it needs little else in order to give it effective control over the resources of the community. It may, therefore more readily acquiesce in a dispersal of decisions, subject to its overall control and national programming.

Notwithstanding, therefore, the Prime Minister's disavowal of any desire to be dogmatic about the socialist pattern, quite a few rigid conceptions have crept into this doctrine of the socialist pattern. Even if the centralised Welfare State today represents the socialist trend—making the British Tory and the US Republican join in common homage to it—are there not vital differences between one type and another and are there not also continuous modifications of the several patterns in the light of experience, altering the content of socialism at any given time? Mr. Nehru has admitted that it is a changing picture that he has in mind. Until now there were reasons to hold that this flexibility was an advantage. The working of the Industrial Policy Resolution of 1948 was realistic enough in its early phases to prove the pragmatic nature of the approach to the doctrine of the public sector. But there has been a change for the worse, particularly at a time when the British socialist has abjured nationalisation or incentive-destroying taxation as infallible means to the society of his dreams. Even in the Soviet Union there is less faith in the competence of the bureaucracy than here. By what quirk of fate then is India, the most prag-

matic among the socialist gossellers, also the most dogmatic, without wishing to be so?

There have been far too many of such actions which have followed an ideological course that it is no longer possible to rationalise them by any pragmatic concept. There is a whole set of ritual about it, the significance of which is not vouchsafed except to the high priests. It is not enough, it seems, that more aluminium should be manufactured in this country; the socialist deity demands that it should be done only in the public sector. If additional coal production is to be shared between the two sectors, on paper at least, a higher figure is being entered against the public sector, whether it is manageable or not eventually, on the resources available. The proposed revision of the Industrial Policy Resolution will certainly not add to its flexibility, whether it makes a serious difference or not to the course of future policy. The moral of the last few years has been that social ends and national interests can be adequately served by the vast armoury of powers—like the Company Law, industrial licensing and regulation and financial policies—without physical ownership except in a few strategic sectors. Business men might have lacked a philosophical approach to modern problems but they have not by any means been slow to appreciate the justification for the public sector's interest in steel, fertiliser or locomotive manufacture. They have not been slow either to see that the outlay in the public sector has also provided new opportunities in terms of orders and in the widening of the market. It has, however, been intriguing when they are hamstrung in their efforts to seize these new opportunities presented by a growing economy.

The most puzzling of all has been the latest decision on insurance nationalisation. It is understandable except as a surrender to the doctrinaire cry for nationalisation. This conclusion is reinforced by the fact that it has synchronised with the period of the greatest emphasis on the public sector. On no other grounds was that drastic step called for and it would be less than honest to pretend there were. The weak points of the insurance business have only provided the excuse for a decision which, as the Prime Minister pointed out, was part of the philosophy. Here, as in other things, there is a difference in the approach of Mr. Nehru and that of his other Ministers and civil servants. They, it appears, are also denied, like business men, an insight into the philosophical approach. When there is such all-round lack of insight, the foundations of that approach cannot indeed be regarded as well laid.

Mr. Nehru was perhaps deliberately vague because, as he remarked later in the week in Hyderabad, he would be laying down dogma which he wishes to avoid. But the inevitability of the public sector being always large may yet be the greatest dogma of all which could vitiate and, in time, hamper the maximum economic growth. The corollary of such a doctrine is the superfluity of a system of incentives; and the denial of incentives destroys initiative. When any philosophy fails to provide answers to these precise questions, it is bound to be viewed as an attempt to run a red-herring across the private sector's trail.

The Retreat on Tea Auctions

THE retreat announced a fortnight ago by the Government of India on the Tea Auctions decision of July 1955 has a far larger significance than might appear at first sight. The new order, it is true, is only a suspension of the limit on teas exported before auctions for the current year. There is no indication that the Government has reversed its policy of encouraging larger Indian auctions. Nevertheless, the fact that a decision, taken after an exhaustive enquiry by an expert Committee and accepted by the Government of India, should be summarily discarded without any adequate explanation why this sudden departure was necessary must reduce the prestige of the Government of India and create further uncertainties in the trade.

It is true that the tea industry was having a rough passage, and Calcutta prices have not always been the most favourable obtaining. But it was no essential ingredient of the Government of India's decision released in July 1955 that tea auctions were to be increased in India only on condition that Calcutta prices were higher than London prices or the other way round. If Calcutta prices were always higher than London prices, there would have been no need for limitation, for producers would only sell in Calcutta; conversely, if Calcutta prices were always lower than London prices, no restriction would have been necessary, for buyers would have come to Calcutta on their own. A temporary slump in Calcutta prices vis-a-vis London prices cannot, therefore, be an argument for the reversal of a long-period policy which was not designed at any time in terms of the price differential which existed between the two markets. The argument, that the restriction was removed in order to give the producers higher London prices is, therefore, irrelevant. Indeed, it has also been eliminated by events, for, at the present time, the differential in favour of London prices for the producers has ceased to exist; and, over the long period, it cannot be established that London is the better market than Calcutta.

What then did the Government of India obtain by its hasty action of suspending its own well-considered decision of July last year? It will be remembered that these orders were passed on the unanimous findings of a Committee set up by the Government of India itself with the express purpose of increasing these auctions in Indian ports. The Committee had amongst its members three Europeans, two of whom were connected with the tea trade in London and one of whom was President of the Indian Tea Association in Calcutta. As far as one can now determine, none of the British members of the Committee, Sir P. J. Griffiths, Mr. R. V. Culverhouse or Mr. Mackay Tallack, has advocated the present decision, which had come to be accepted, to a large extent, by London interests, even by many previously critical. Nor, as far as can be determined, was there any authoritative voice in the tea industry which has maintained that the present difficulties of the industry were the result of the limitations on export of tea before auctions in Calcutta or Cochin. There have been, it is true, serious warehousing difficulties in Calcutta. But these have been surmounted by the remarkable resilience in the warehousing apparatus in Calcutta and had, indeed, been overcome at the time when the Government of India chose to rescind

its previous order. It cannot, therefore, be that warehousing difficulties were responsible for the withdrawal of the Government's order. Even if it were, the remedy would be greater speed in erection of warehouses, not in reducing their need.

There is no doubt that the decision to suspend the operation of increased auctions in Calcutta this year has put fresh heart into those interests in Mincing Lane who, by failing to co-operate in the Calcutta auctions, were seeking to bring indirect pressure on the Government of India to alter its original decision. If the Government thus encourages its opponents—much to the dismay of its friends—it cannot complain if those anxious to assist in larger Indian auctions should halt promptly in their tracks. It will be very difficult to induce large London buyers now to have substantial representation in Calcutta, seeing that it is so easy to make the Government of India yield to the demand for free trade in this manner. Thus, although the present order is only for one year, it has set back the stable working of the tea auctions policy for a much longer period. Stability is an essential ingredient of all policy; how else can one determine the position of stable equilibrium? And if instability is to be the order of the day, no one will make arrangements on the basis that today's facts justify tomorrow's decisions.

The damage produced by this uncertainty will be great; but whether British interests do or do not suffer by this uncertainty, there can be no doubt that Indian national interests, deemed hitherto to depend on larger Indian auctions, have suffered in the process. There was, it would appear, very little pressure from the tea industry or trade asking for suspension of the tea auctions order. Responsible elements had only suggested that, in view of the fact that the crop was larger than anticipated, there was a case for raising the ceiling for export before auctions by another 25 million lbs. Had the Government of India only yielded to this request—which was no more than reasonable and perfectly consistent with its previous order—there would have been no cause for complaint. At the present time there is a widespread feeling that the decision was dictated not by a sound assessment of the economic facts but by an element of whimsicality which will make a stable policy impracticable.

It is right that there should be no worship of consistency. Flexibility, as the Prime Minister has rightly stressed this week, is imposed on all countries of the world by the changing character of current problems. Flexibility, however, is no virtue by itself. It is only a virtue when it becomes the instrument of policy to adjust certain rigid factors in the economy to changing surroundings. There is nothing in the current tea situation which warranted the reversal of the policy of larger Indian auctions. All that was required was a larger release in the current year related to a larger crop. The fact that the Government of India has not chosen the easier course but has suspended its earlier decision must shake the faith of those who believe that, in this highly organised industry, policy will be framed with an objective assessment of all factors operating over the long haul. There is considerable danger to be feared if the Government of India should create the impression that it has no major principles of policy, but is, equally with the marketplace, the creature of mood and chance.

Income-Tax Evasion

THIS year's Finance Bill proposes to introduce amendments to the Indian Income-Tax Act which go far beyond the procedural changes necessitated by the Supreme Court's judgment of December last on the Income-Tax Investigation Commission Act. If the object was to meet the situation created by this latest decision, an enlargement of the period of issue of notices beyond the present limit of March 1956 would have fully served the purpose of preventing one class of detected cases of evasion from escaping assessment merely on account of a technical loophole. The Finance Bill, however, aims at incorporating a substantive change of basic importance in the law on reopening of cases already decided. But in proceeding a step further with drastic changes in the powers relating to collection of evidence, it seeks to introduce a highly questionable principle.

The impression which the amendments create of providing a comprehensive and effective machinery for the prevention of tax evasion is misleading. It cannot be denied that there is tax evasion on a substantial scale; and all efforts to prevent evasion must be supported so long as they are well conceived. Popular imagination has tended to regard the problem of income-tax evasion as co-extensive with the problem of tackling evasion at the highest level. This is a vital part of the problem and since 1947 at any rate drastic measures have been adopted to deal with it. The work of the Income-Tax Investigation Commission was not allowed to go to waste by reason of the invalidation of the Commission; part of it has been transmitted to the departmental organisation. But normal times must have normal methods and the extraordinary powers deemed necessary for the special conditions of the war and post-war period cannot be justified in the changing conditions. Indeed, the problem of evasion itself has changed with the nature of incomes created by development outlay and budgetary policy. To conceive the problem in the old terms would simply not fit in with the present day facts.

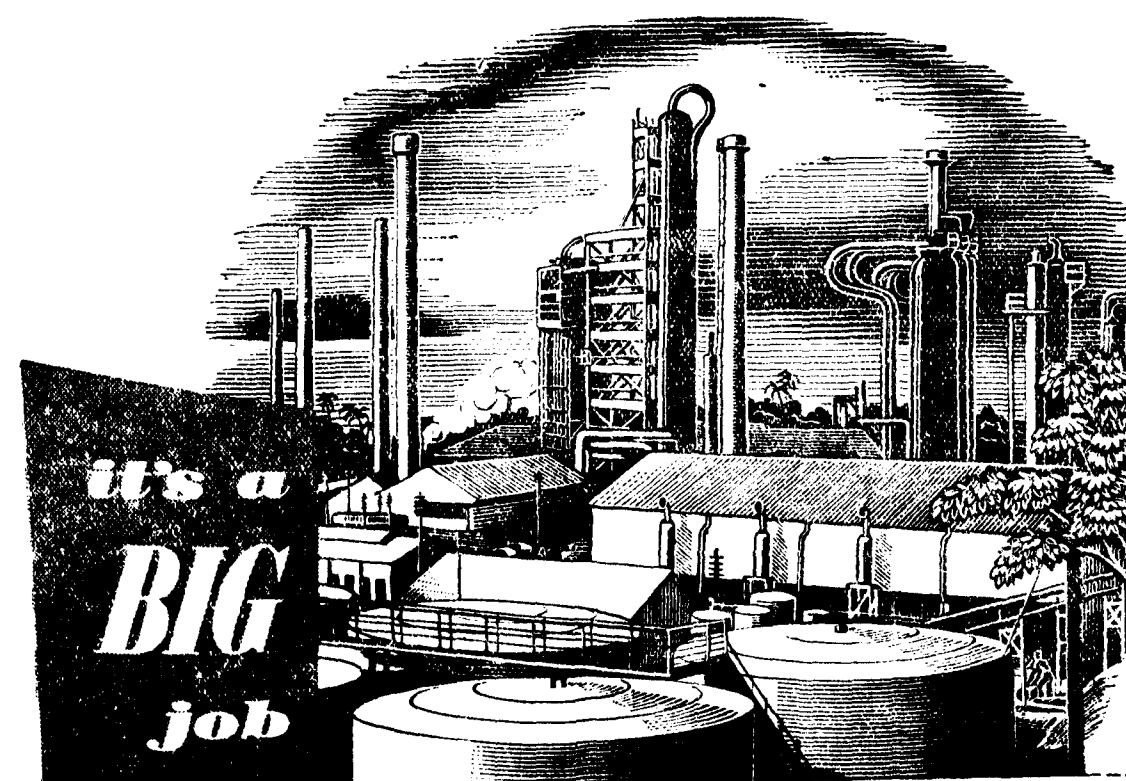
The amendments to Section 34 of the Income-Tax Act introduce a distinction in regard to the right to reopen cases of assessment on the basis of the size of incomes involved. The present limit of eight years has been retained only in respect of incomes which are below one lakh of rupees in value. On incomes of a higher magnitude starting with one lakh of rupees, the existing restriction of eight years for re-investigation has been removed. In raking up old claims to taxation, the difficulties of meeting evidence adduced in support of fresh investigations will multiply.

The Taxation Enquiry Commission which examined the question of direct taxes at considerable length has arrived at certain significant conclusions which ought to bring about an objective change in the popular outlook that identifies all problems of income-tax evasion with higher brackets. The scope for augmenting revenue by tightening the screw at these levels is quite limited and any policy aiming at this object must take cognizance of the inevitable disincentives which it is sure to create. Future direction of policy ought to proceed towards widening the range of income-tax at the medium levels and one of the early reforms which the Commission has urged is to lower the exemption limit from Rs. 4,200 to Rs. 3,000. It is hardly

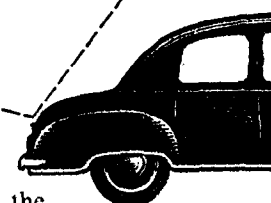
realised that the gap between the volume of incomes arising in the middle income groups and those which are assessed causes serious loss of revenue to the State. The extent to which evasion takes place in this area calls for energetic measures to plug existing loopholes. Perhaps only a third of the small taxable business concerns are assessed; the loss sustained by the failure to tax members of the various independent professions would also be a substantial amount. Responsibility for this failure cannot be placed solely on the Income-Tax Administration and certainly great efforts are needed to arouse social consciousness that a passive attitude not to submit income-tax returns is as reprehensible as attempts to evade tax at any other level. A recent sample examination of income-tax returns has revealed the surprisingly narrow coverage of tax-collection at the source of salaried incomes in the medium brackets.

The task that confronts the Income-Tax Administration is to make an effective drive for new cases simultaneously with the discovery of evasion in the distant past. The difficulties of the Income-Tax Administration do not spring so much from lack of legal powers or a machinery of enforcement as from a chronic laxity in standards of efficiency in executive work. It must be recognised that the handicaps of manpower are quite real. The financial integration of Part B States, in most of which income-tax was an innovation, as also the spurt in money incomes since the war-time inflation have made exacting demands on the resources of the Income-Tax Department. The question is not merely one of numbers; and in qualitative terms urgent attention is called for by training courses, rationalisation of the agencies for procurement of intelligence and a reorientation of the organisation and methods of work. It does not appear that the recommendation of the TEC to institute a committee to investigate this problem has been acted upon.

An amendment of dubious propriety suggested in the Finance Bill relates to the alteration of Section 37 of the Income-Tax Act to strengthen the powers for gathering evidence. The powers of entry, search and seizure of books or documents which are proposed to be conferred upon income-tax officers for use, not necessarily, in cases of specified emergency, are fraught with grave consequences. The analogy of the Income-Tax Investigation Commission having put them to good account is wholly inapplicable since there was the safeguard that the Commission, by virtue of its composition with a judge of the highest rank as Chairman, could be depended upon to exercise the powers in a judicious manner. Once these powers are placed on the statute book, in spite of the precautions that departmental rules may enjoin, the area of discretion will be so wide and vague that abuse at the hands of departmental officials will be difficult to prevent. The infringements of personal liberty which they may involve clearly outweigh the benefits that are argued in support of their grant. The Income-Tax Amendment Bill, 1938, incorporated an identical provision which had to be deleted due to strong opposition to such inquisitorial methods. The evader may still find a way out, but to the majority of tax payers it offers a threat and a possibility of harassment by revenue officials.



turning oil
into petrol



The crude oil that comes out of the well is no use to anybody until it is refined. Then it has a thousand uses. All over India, all through the year, people are using the hundred-and-one different products that come from the Assam Oil Company's "oil town" at Digboi, the site of India's first and most highly developed oil refinery — and the only refinery which processes crude oil produced at India's only oilfield.

You probably think first of petrol when oil products are mentioned. But don't forget that the food you eat was obtained with the help of oil — in the shape of tractor fuel and lubricants. Even the carpet in your house was made with the assistance of oil — the oil that keeps the mills running smoothly.

Oil is vital in the modern world. Though small by world standards, the Assam Oil Company's refinery at Digboi every day produces over 250,000 gallons of high quality products to help to meet India's ever-increasing needs. The Assam Oil Company is looking to the future, too. The company's extensive technical and financial resources are being used to the full to find new sources of oil and to bring into operation new methods of production and refining. If this is successful, the flow of Indian oil to Indian industry, transport and agriculture will increase year by year. The Assam Oil Company will make sure of that.

ASSAM OIL COMPANY

does it all



A member of the
Bureau Group of Oil Companies

PROSPECTING • DRILLING • PRODUCING • REFINING

Self-Sufficiency in TUBES

On March 7, 1956, the works of the Indian Tube Company were formally opened in Jamshedpur by the Hon'ble Dr. Sri Krishna Sinha, Chief Minister, Bihar

The Tata Iron & Steel Co. Ltd. and Stewarts & Lloyds Limited, the largest producer of steel tubes in Europe, have jointly sponsored this project. A Fretz-Moon Mill with an annual capacity of 12,000 miles of

tubes (90,000 tons by weight) at a cost of Rs. 3 crores has been installed. A separate Electric Resistance Weld Mill for the manufacture of some 13,000 tons of high quality precision tubes will be in operation by 1957, and Government's permission is awaited to instal a third mill to make seamless tubes.

When all the three mills are commissioned the country's requirements of practically all varieties of steel tubes should have been met.

THE INDIAN TUBE COMPANY (1953) LTD.
41, CHOWRINGHEE, CALCUTTA 16

THE WEEK'S NOTES

FINANCE MINISTER'S SMEAR CAMPAIGN

DURING THE debate in the Lok Sabha on the Insurance Bill and in the proceedings of the annual meeting of the Federation of Indian Chambers of Commerce and Industry, the representatives of private business have shown a natural indignation against the campaign of 'vilification' of Indian insurance business, launched in order to justify the drastic step of nationalisation. Giving the dog a bad name in order to hang it is an old strategy and the Finance Minister has only employed this method to defend nationalisation. It is not necessary to deny that the various instances of malpractices cited by him have existed; and it may even be conceded that some more may come to light in due course. All these cases, however, far from supporting the Finance Minister, prove how negligent administration has been in enforcing the strict provisions of the Insurance Act as amended in 1950. His only defence was that evaders were more skilful; but flattering ingenuity of those who practised frauds cannot prove that they were absolutely beyond control or regulation. The truth is that no honest attempt has been made for the effective exercise of such control, in spite of the wide powers available under the law. The life funds of any company are at any given moment determinable exactly; and the disposition of the investable portion could be scrutinised quite effectively and the offenders brought to book if an inspectorate had been built up. After failing to do so, the public sector is in a worse position in proving its capacity to run this vast undertaking effectively.

The gravamen of the charge is that it was highly improper on the part of the Finance Minister to indict the whole sector of Indian business on the basis of the few examples of misbehaviour. Mr. Tulsidas Kilachand was forthright in his criticism of this attitude and more of such outspoken views will do good. He might have added that the cases cited by the Finance Minister no more prove the case for nationalisation than the various frauds and irregularities in the public sector—whether it is Bhakra or jeep purchases or any of the other wild schemes like the Housing Factory—give proof of its incapacity to run a Government, much less to take over and manage business and industry.

The justification given for enacting an Ordinance is in the same category of unacceptable pleas. Having conceded that it is always possible to reopen transactions made for defeating the provisions of the law, the Finance Minister sought to justify his abrupt step by drawing a hyperbolic picture of the possibilities of evasion, which can do credit to his imagination but cannot convince anyone of the actual possibilities of evasion on that scale. In any case, there is no purpose to be served by an inquiry at this stage about the working of the private sector in insurance, since the step now taken may not be reversed. The Prime Minister explained to business men that it would be easy for them to understand nationalisation when they grasp the philosophy behind his Government's approach. That is understandable enough as a reason, even if it is not possible to agree with it.

DIFFICULTIES OF A DAKSHIN PRADESH

THE MOVE for a Dakshin Pradesh, comprising Madras and the proposed Kerala States, started a lively controversy which has even threatened to create a crisis in Madras. One of the weaker aspects of the SRC Report is its failure to investigate the possibilities of reconstitution of States on a regional basis, for purposes of economic development, wherever the constituent units can be persuaded to come together for the pursuit of such objectives. An objective analysis of such scope

would have greatly helped the present trend in favour of larger States, but the SRC was too preoccupied with its task of adjudicating upon rival claims to pay attention to these larger questions. Mr. C. Subramaniam, the Madras Finance Minister, has made some outspoken statements on the subject, despite the general impression created in the State that the Chief Minister prefers not to be influenced by the somewhat sudden developments beginning with the Roy-Sinha agreement.

Regionalism, as a method of submerging narrower loyalties to religion, language or culture in a common objective of development, has been suggested before in the pre-partition days. The Madras Finance Minister was only reviving a similar idea when he referred to the possibilities of developing the eastern regions of a southern State with the aid of western resources. By providing opportunities for the more densely populated western half in the east, a quid pro quo would be possible and in the spheres in which some genuine fears are entertained, as in the services, safeguards would have been possible. But all these are details for which the right atmosphere will have to be created and anything which appears to the irredentist groups to be the exercise of pressure from above would only delay the spread of the idea. For a time, perhaps, the majority in the two States concerned will resist the idea of coming together, because of the fascination of the newly won separate status but that status cannot fail to impress on public opinion the insignificance and ineffectiveness of the smaller political units in national policies.

INDO-BRITISH RELATIONS

THE VISIT of Mr. Selwyn Lloyd, the British Foreign Secretary, on the eve of the SEATO talks in Karachi has come at a very opportune moment. Only a few weeks ago, Mr. Malcolm MacDonald, the British High Commissioner, made a reference to a new low in Indo-British relations, and Mr. Lloyd's visit should assure doubters on both sides that it was but a passing phase. It is undeniable that there are differences of opinion between India and Britain on vital international issues, particularly over British participation in military pacts. But there is very close adherence on many topics, born of a common faith in freedom and democracy and the fundamental aim of the foreign policies of both countries, namely, the securing of peace on stable foundations, should continue to bind us together. In speaking about Indo-British relations, Mr. Lloyd laid stress on the wide understanding of the viewpoints of the respective countries in the other. Mr. Nehru's defence of Commonwealth membership in the Lok Sabha some time ago shows that on this side there is no readiness to let the relations mar the extent of co-operation. Differences on a few points, openly discussed and openly arrived at, would not, as Mr. Selwyn Lloyd said, affect friendship. But if differences are not to develop into serious divergences, a continual re-examination of the issues that cause disagreement is necessary. On such issues like the India Office Library, Britain's interests are not served by a stubborn attitude when her case is 'prima facie' very weak.

Mr. Lloyd's statement that Pakistan's Kashmir problem is not a suitable subject for discussion at the SEATO talks will be widely welcomed here. But non-discussion will not mean that the implications of SEATO and the Baghdad Pact, in so far as accession of military strength to Pakistan is concerned, will not be felt to be to the disadvantage of India. It is for Mr. Lloyd to see that India's fears in this regard are allayed, as long as he deems armed pacts to be of value. The defensive character of such alliances, when Indo-Pakistan relations are none too happy, needs to be reasserted if the Commonwealth should remain a club of only dif-

ferences of opinion and not of discord. On the problems of China and Indo-China, there will be a close approximation of views. Mr. Dulles's statement on Goa has made the British attitude appear less objectionable because it has been understandable all along because of her colonial interests.

BRITAIN'S DARKEST HOUR

IT WAS a fateful hour when Britain attempted, as far as could be judged from events at that time, to persuade Jordan to join the Baghdad Pact. When that country set her face firmly against such a course and Britain appeared to have reconciled herself to that position, the episode was taken to have ended with a diplomatic setback for the West. But the sudden and unexpected dismissal of Gen. Glubb Pasha from the command of the Arab Legion, considered the best fighting force in the Arab world, which he helped to build from scratch, has descended heavily on the Tory Government, which has just been trying to recover from a series of misfortunes in domestic and international affairs.

After the evacuation of the Suez Canal base and the loss of Abadan, Jordan had been the fulcrum and focus of British policy and influence in the Middle East. That dominance was secured not only by the annual subsidy of £12 million which Britain is giving Jordan—and which Egypt and Saudi Arabia are threatening to replace—but also through the Arab Legion, nominally Jordan's army, but in fact commanded by a Briton and officered by many Englishmen. But the Amman populace had been demanding an end to this sort of control and King Hussein must have been hard pressed to have yielded to their demand and offended his country's strongest ally by throwing out Glubb Pasha and many of his henchmen. In the wake of this incident have arisen many problems which are right now agitating the minds of Western statesmen. As long as Glubb Pasha was in command of the Arab Legion, there was hope that at least from Jordan's side peace with Israel will not be lightly broken. The fact that it is the extremists thirsting for a holy war on Israel, who have now succeeded in securing his dismissal, makes the outlook gloomy for peace.

INDEPENDENCE FOR MOROCCO

FRANCE'S DECISION to grant independence to Morocco may well be the forerunner of similar acts of generosity before it becomes too late in the case of Tunisia and Algeria. Much serious rethinking on North African policy had been evident for some time at the Quai d'Orsay. Appropriately enough the "declaration of independence within interdependence" has been signed on behalf of France by a Socialist Foreign Minister belonging to a Republican Front Cabinet. The agreement recognises the "sovereignty" and "equality" of Morocco, but emphasises Franco-Moroccan interdependence, especially in regard to defence, external relations, economy and culture. The rights and liberties of Frenchmen in Morocco are guaranteed and the Resident-General is to be replaced by a High Commissioner. A supplementary protocol outlining the links between the two countries is to be worked out. France will also help in the building up of a Moroccan army.

Morocco's achievement of freedom should not blind one to the greater difficulties which still confront France's two other trouble-spots in North Africa. Unlike in Tunisia and in particular Algeria, the French settlers do not form any significant proportion of the population of Morocco, and so the 'colon' problem did not assume such serious proportions. It is the settlers who are now holding up progress in Algeria. And, though M. Mollet beat a hasty retreat last month in the face of settlers' unruly demonstrations in Algiers, the step forward in Morocco should give him confidence to go ahead and reach an agreement with the peoples of Algeria and Tunisia.

THE BANK OF BARODA, LIMITED

Established in 1908

Bank transacts banking business of every description both inland and foreign.

Bank acts as Executor and Trustee under Wills and Settlements including Settlements under Married Women's Property Act.

Bank allows withdrawals by cheques in Savings Bank Accounts.

N. M. CHOKSHI.

General Manager.

India's
Tea-
India's
Wealth



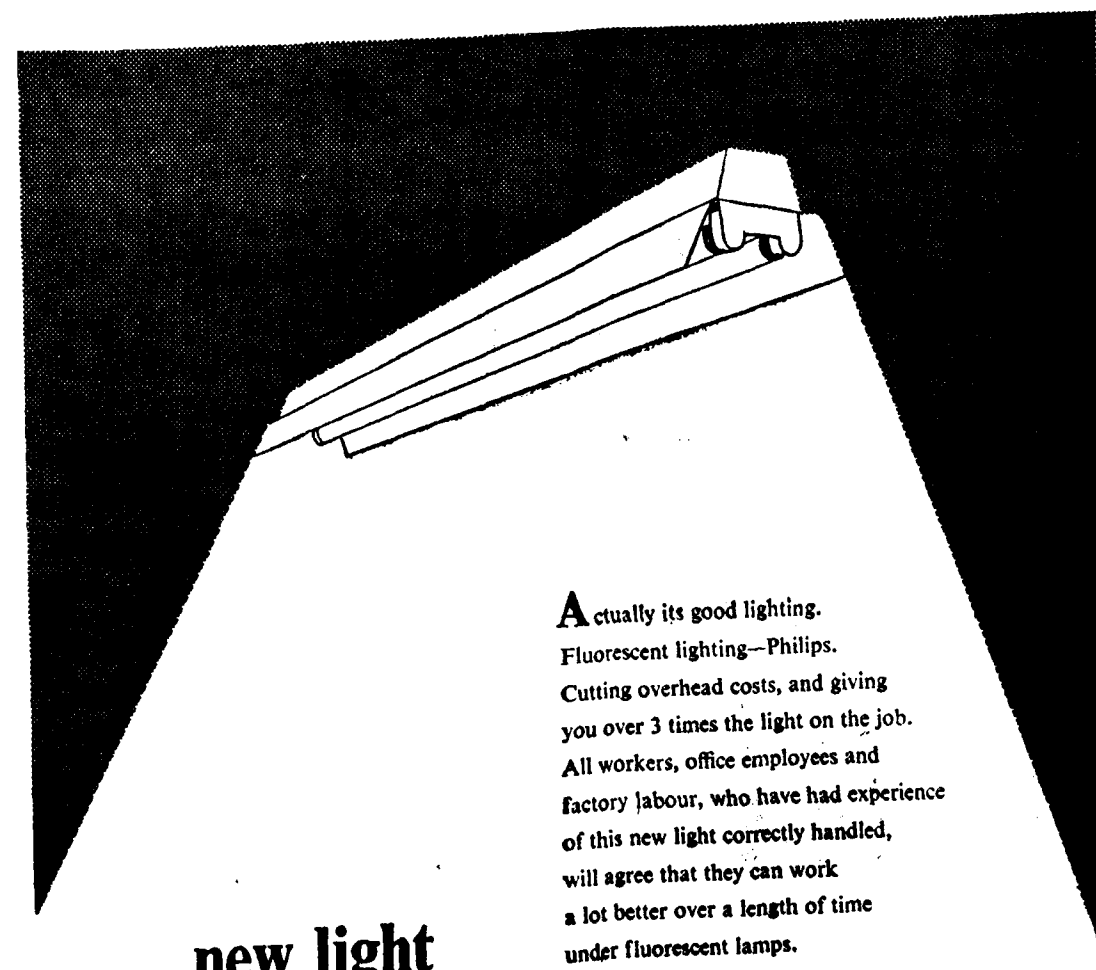
ACREAGE AND PRODUCTION :

There are more than 6,300 tea gardens in India covering nearly 789,000 acres. Their total yearly production is over 630 million pounds of tea.



No other drink refreshes
you so much, yet costs
so little as **TEA**

PST 151

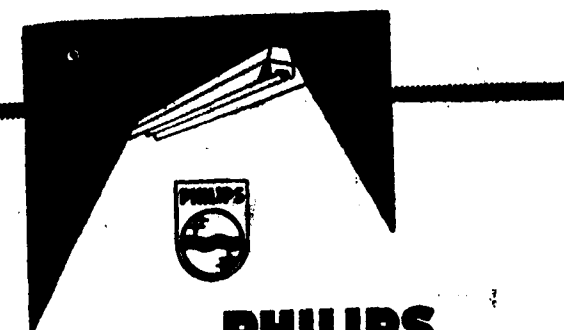


new light
on your
overheads

Actually its good lighting.
Fluorescent lighting—Philips.
Cutting overhead costs, and giving you over 3 times the light on the job. All workers, office employees and factory labour, who have had experience of this new light correctly handled, will agree that they can work a lot better over a length of time under fluorescent lamps. Less eye-strain, fewer mistakes, quicker work, and an improved general atmosphere, these are the results of better lighting. And working tests have proved that Philips Fluorescent Lamps, used with quality control gear, have a burning life of 7500 hours, which is just about 4 years. These are a few reasons why Philips Fluorescent Lamps & Fittings are being installed in homes, offices and factories throughout the world.

PLANNED LIGHTING BY PHILIPS

Philips are fully prepared to provide you, without any obligation on your part, advice for a planned lighting system. Call them in and discuss it. Philips Electrical Co. (India) Ltd.



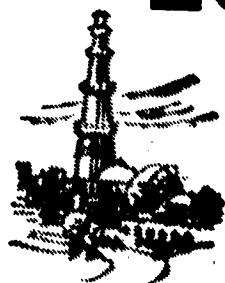
PHILIPS
make light work for you

Calcutta-Bombay-Delhi-Madras-Patna-Kanpur-Lucknow-Bangalore

PL 17

Delhi

London



VIA ROME, or DUSSELDORF

By B.O.A.C. 'MAJESTIC' or 'CORONET' TOURIST

Enjoy speed, luxury, dependability when you fly by B.O.A.C. First Class 'Majestic' services. These four-engined, world-proved Constellations are fully-pressurized to fly high above the weather where the air is clear and calm. Relax in the deep comfort of adjustable chairs, enjoy delicious

free meals, drinks and attentive service day and night. Also "low fare" 'Coronet' Services by B.O.A.C. Argonaut airliners. Four-engined and fully-pressurized. Same high standard of B.O.A.C. service and experience. Drinks on Tourist Services at duty free price

DELHI LONDON	FIRST CLASS OFF-SEASON TOURIST	Single Fare	Return Fare
		Rs. 2,360	Rs. 4,248
		Rs. 1,414	Rs. 2,546

Consult your local Travel Agent or B.O.A.C. Speedbird House, Service Road, Connaught Place, New Delhi. Telephone: 45978, 44234, 45085 and 47356.

B.O.A.C. TAKES GOOD CARE OF YOU

FLY B.O.A.C.

BRITISH OVERSEAS AIRWAYS CORPORATION

Listen to the B.O.A.C. programme "Enchantment in the Air" on Thursdays at 8.0 p.m. on Radio Ceylon, 31 and 49 metre bands

A Window on the World

EAST-WEST TRAFFIC SHOULD BE TWO WAY

By

ODYSSEUS

POWER, ECONOMIC AND MILITARY, is, whether we like it or not (whether indeed we admit it or not), the chief factor that brings about changes in the conduct of the relations between nations and in the standard of living of the masses in the different countries of the world.

If it is a commonplace that since World War II Europe's power to influence world affairs has diminished and the power of the USA and the USSR vastly increased, so that these two elbow each other, like two colossi, about the world, then at first sight it seems contradictory to observe that since independence India has played an increasingly important role in international affairs. How is it that a country which occupies one of the lowest rungs on the ladder of international economic and military power should be the object of close attention in Moscow, Peking, London, and Washington?

You remember that when Roosevelt and Churchill during the last war expressed the view in front of Stalin that when Rome was occupied the neutrality of the Vatican should be respected, the good comrade laughingly enquired: "Why? How many divisions has the Pope got?" There are those who would argue that the neutrality of the Vatican was respected for the same reasons that India's is today, namely, that the Vatican and India stand for a number of spiritual and moral values the gratuitous violation of which would shock world opinion. I hasten to range myself on the side of the champions of this view. Spiritual values and the conscience of enlightened public opinions (where they exist—an important qualification) are factors that political leaders ignore at their peril (as Napoleon and Hitler, to name but two, were made to realise, the one in exile at St. Helena, the other in the ruins of Berlin).

Nevertheless spiritual values and the panch shila are, alas, by no means the sole factors which regulate international relations, and statesmen must never lose sight of the material factors also involved in their survival.

WHY IS NEUTRALISM SUCCESSFUL?

As, however, one scans the columns of editorial comment on India's foreign policy, one cannot help being struck (1) by the regular attribution of India's success if not solely to the influence of her moral principles then at least to some intrinsic value in neutralism itself, and (2) by the complete failure to suggest any other causes at all. Neutralism, it is argued, can spread over an increasing area of the globe as nation after nation come to see that armaments do not ward off but provoke war and that the formal adoption of the panch shila is all that is wanted to ensure world peace.

It does, however, seem curious that while countries as different in size, outlook, interests, and material power as Yugoslavia, China, and the USSR, have proclaimed their regard for the panch shila, not one of them has given notice of their withdrawal from the military alliances to which they belong, and not one is disarming: on the contrary, they are maintaining or stepping

up their armaments, and one of the more conspicuous of these three nations has not only gone out of its way to supply arms to countries which were seeking them in vain from the Western powers but actually let off an experimental hydrogen bomb while its spokesmen were vociferously applauding the panch shila and India's splendid lack of provocative alliances and armaments.

We may have a clearer perception of where India's foreign interests lie if we try to think out why her neutralist policy has been as successful as it has been in enabling her to divert substantial resources from armaments to economic advance and in causing both power blocs to woo her friendship. The causes are not capable of statement in the simple terms of moral right and wrong so dear to some of our editorialists; they are multiple and complex; and among them must surely be that India is recognised by both power blocs as a tremendous potential future source of economic and military power, that each sees that the ultimate survival of its own ideological system depends respectively, for the West, in maintaining India's liberal democratic system and, for the Sino-Soviets, in gradually swamping it and securing India's inclusion in the communist totalitarian world.

This is so elementary a proposition that one is almost embarrassed in producing it for fear of being derided as naive. But the fact remains that, however elementary, it is never mentioned when the reasons for the success of India's neutralism are being discussed in the Lok Sabha or in the press.

It is not my contention that the panch shila policy is mistaken. Far from it. It has paid dividends in the past and, with both West and East vying in offers of economic aid, it looks as though it may pay even higher dividends for some time to come. But it seems vitally important to recognise that neutralism owes every bit as much of its success to the never mentioned material factors of India's position between the two power blocs, as it does to the panch shila, which risk is becoming a dangerously flattering unction to our parochial patriotic souls. If, on the one hand, we may congratulate ourselves that we are in the happy position of being able to take the West and the USSR separately to one side and indicate discreetly to each in turn: "Well, boys, if one of you doesn't make the effort to help us with our Five-Year Plan, the other will, and you know what that may mean to you if it goes too far," it is also a fact of which our leaders seem unconscious (at least in public) that beyond a certain point it matters desperately to our whole future whether we get more, or less, aid from the West, and whether we relax our links with the West and join ourselves in ever tighter bonds to the Sino-Soviets.

A TIME BOMB IN THE BASEMENT

Barbara Ward, former foreign editor of 'The Economist', explains why this is so in a striking article, "Asia's Needs and Western Policy" in the February 'Atlantic Monthly'. She says:—

"...Since World War II the desire for modernisation has begun to spread beyond the small educated

Asian elite to the people at large, 80 per cent of whom—save in Japan—are still peasants.... It could not be expected that they would understand the economic and administrative implications of their new state of mind. It is a mood of aggressive expectation, all the stronger for being rooted in ignorance. But, for the governments of Asia, it represents a time bomb in the basement of their political structure...."

"Inevitably, all over Asia, there is a gap between the possibility of physical performance and the aroused aspirations of the masses. Under any conditions, such a situation contains political dynamite at least in internal politics, but with Asia and the world divided between a Communist and a free form of society there is no restraining the explosive element behind domestic frontiers. The polarisation of Asian ambition between India and China is perhaps the dominant political fact in Asia today. Both these vast, ancient, overpopulated communities are trying to do fundamentally the same thing: complete the modernisation of their communities. But they are trying to do it by opposite means; in India, by persuasion, co-operation, and decentralised democratic planning; in China, by the strong coercion of bureaucratic dictatorship. The success of one method or the other will set the pattern for Asia. Even their relative speed of development is being watched searchingly in order to determine which model is to be preferred. Moreover, the trial of strength and method has implications beyond Asia. The Soviet Union is deeply involved in China's success and the Western world should be equally concerned in the outcome of the Indian experiment."

For our present discussion, the nub of Miss Ward's argument lies in the two sentences: "The polarisation of Asian ambition between India and China is perhaps the dominant political fact in Asia today" and "The success of one method or the other will set the pattern for Asia". This argument was elaborated here on December 9, 1955, when I observed that if you assert that the premise on which it is based is false and that there is no issue between communism and democracy

that cannot be settled by the panch shila, then there is no less an authority than Lenin who can be quoted against you. For he it was who laid it down that "In the last analysis the issue will be determined by the fact that Russia, India, and China represent a crushing majority of the population of the globe."

Miss Ward goes on to urge (as I did on December 9) how vitally important it is for the West to come to the aid of India economically so that in the interests of the whole free world she may win the political victory for democracy in Asia, but what I now want to submit is that the interests at stake are mutual, and that where the interests are mutual the traffic in material aid and moral comfort cannot be all One Way.

Western commentators repeatedly stress their own public opinions that the survival of the liberal democratic system in the West depends on the success of India's liberal democratic experiment in Asia. Every Western commentator is anxious to see India secure the moral and material leadership of Asia. If some are critical of India's policies, it is not because they are hostile to India but because of their anxiety for her prosperity. This is the traffic that should be Two Way. We must make it clear to our own public opinion that the survival of all that the India that we know and love stands for depends on the survival of the liberal democratic civilisations of America and Europe. It follows that there must be clearly defined limits to Indo-Sino-Soviet political and economic interpenetration if our whole world is not to be swamped by alien ideals and methods.

In this context, the vulnerability of the "open" system of free world trade, to which our economy is geared, to disruption from the closed communist system takes on a sinister significance. As was pointed out here last time, state trading organisations capable of sustained losses could wreck any of the free markets on which our economic survival depends. At present these problems are not debated in public. They ought to be.

A DELHI DIARY

NOTE OF DISSENT

THIS week has belonged wholly to the Finance Minister, Sir Chintaman Deshmukh. Since the Budget Number of 'The Eastern Economist' has failed to reflect my personal feelings in this matter, I insist on putting in my note of dissent. In the first place, I feel that the Budget was a splendid piece of tight-rope walking; the balance between direct and indirect taxes was just right and, as events have proved, business psychology has not been injured in any way. The fact that he has been able to raise Rs. 35 crores of additional taxes without helping bears is one of the most astute financial feats done in recent years. Secondly, I believe I am reflecting a predominant Delhi opinion when I say that the dignity with which the Finance Minister has taken the serious blow of the budget leakage has evoked high praise. It is known that he submitted his resignation and pressed—on the principle of respecting conventions in a parliamentary democracy—that he should be held responsible. The Prime Minister declined to accept his resignation but it should be known that it was submitted and that it was submitted genuinely. Thirdly, I am full of admiration for the Finance Minister's reply to the debate on the Budget in Rajya Sabha which ended on Thursday. This was the most skilful and good-humoured reply to a general debate that I have heard for a long time. It loses none of its virtue by the fact that he dismissed the "abstract calculations" of a certain widely-circulated financial journal. I venture to make an observation on Newton's Third Law; so far as the Finance Minister is concerned, action and reaction are not equal and opposite!

DANGEROUS PARALLELS

Having paid my tribute to the Finance Minister, let me ascend to bolder heights and refer to the Prime Minister's philosophy presented at the Annual General Meeting of the Federation of Indian Chambers of Commerce and Industry last Sunday. As far as I understand the Prime Minister's thesis it was to the effect that scientific newcomers—the example he chose was the Atomic Bomb—had made the socialistic pattern of society inevitable. This, he seemed to say, was true even in the United States although most people there denied it. On the other side, the Communist countries had recognised that they needed to be more flexible when dealing with some factors so that socialism, even in the Communist way of life, was becoming something very different from its original pattern. The moral—not that it was clearly drawn—was that India, going socialist and always remaining flexible, had the best of all possible worlds!

What is the flaw in the Prime Minister's argument addressed to this assembly of business men of India? In my opinion, the over simplification of the differences that exist in the world arises from the absence of objective in regard to the place and prestige of private individuals and the private sector in general. It is fallacious in my opinion to compare the declining private sector philosophy in India with the very vital private sector philosophy in the United States. The question that is important is not whether the public sector is growing in both places, but whether the private sector has adequate scope for its activities. In the United States even when the public sector is extended, it is the private sector which is taken for granted; it is the public sector which is on trial. In India, the position is exactly the reverse. The public sector can do little wrong because we have a public sector outlook; we are determined to restrain free enterprise on a bookish view of its dangers.

What Indian business men want to know is whether the Government of India proposes that they should enjoy the prestige that private business has in the United States or whether they are ultimately to go to the walls as in the Soviet Union. It is no answer to this dilemma to say that the United States is going socialist and the USSR is growing flexible. "Socialism" of the United States does not really hurt the private sector, nor does the flexibility of the USSR make any significant private enterprise there possible. Whatever the atom bomb has done or not done, the systems remain poles apart. They are not coming together.

It is vital that these movements of history should not obscure the point that for the private sector to operate it needs a long-term objective which Government must underwrite. I fear there is no such objective in the Prime Minister's speech, interesting and even exciting as it was. It underwrote nothing, for anybody. Flexibility never does!

GENTLEMEN, THE SPEAKER

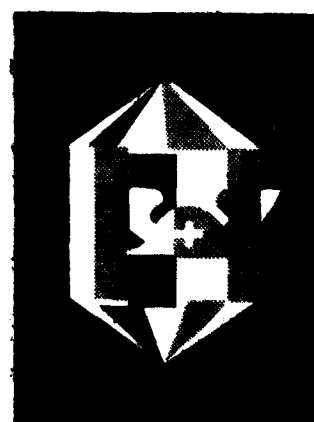
The highlight of the Lok Sabha's proceedings this week was the election of a new Speaker, which was conducted in the best traditions of the House. There was all-round bonhomie and Mr. Ananthasayanam Ayyangar was unanimously elected Speaker of the House on the motion of the Prime Minister. Mr. Ayyangar's nomination and election as Speaker was expected in the ordinary course but it was not on this occasion permitted to become a mere formality; when the Prime Minister briskly stepped up to Mr. Ayyangar and bowed and Prof. Hiren Mukerjee joined Mr. Nehru in conducting Mr. Ayyangar to the Chair, an impressive ceremony was enacted which was in keeping with the dignity of this high office, without there being too much solemnity. Felicitations to the new Speaker came pouring in from all sides of the House which showed that he had well and truly earned the trust and friendship of all sections of the House as Deputy Speaker.

The Prime Minister is always ready on such occasions with a sentiment appropriate to the occasion and I thought he touched on a very significant point when he said that criticism without malice is the 'raison d'être' of parliamentary democracy. The complete lack of malice was certainly evident in the continuous cheering for the new Speaker, who as Deputy Speaker must have taken many hard decisions which could have displeased individual members or groups. The Speaker has indeed become a vital symbol of our parliamentary life and I, for one, came back convinced that its future in this country is assured.

ERROR OF COMMISSION

Having now delivered myself pontifically on one dangerous subject, may I make myself truly humble by admitting an error in regard to the description of a letter from a certain custodian to a former General Manager of an Insurance Company now nationalised? I said that some furniture had to be removed from house to house. My informant now admits that the General Manager in question was asked to move the furniture from the house to the office. I tender my sincere apologies to nationalised insurance for this error which I might truly lay at the door of what is called a "usually reliable source of information". The emphasis in this case is on the word 'usually'!

ARGUS.



Swiss Industries Fair

THE 40th SWISS INDUSTRIES FAIR AND
THE MOST IMPORTANT ANNUALLY RECURRING
ECONOMIC EVENT IN SWITZERLAND.

FOR INFORMATION PLEASE APPLY TO

SWISS LEGATION P.O.B. 392 NEW DELHI
SWISS CONSULATE GENERAL BOMBAY
SWISS CONSULATE P.O.B. 47 CALCUTTA
SWISS TRADE COMMISSIONER P.O.B. 102 BOMBAY

BASEL
14 - 24
APRIL 1956

STATE BANK OF INDIA

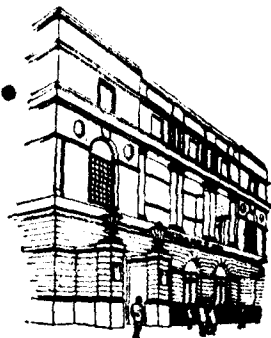
Successors to the Imperial Bank

The need of the day

Our country's economy is expanding rapidly and with the Second Five Year Plan in sight it will gather further momentum. The need for a strong and efficient banking system has never been greater than today as the nation's savings require to be pooled and managed in a resourceful, confident and prudent manner.

The State Bank fulfils these expectations. It has started upon a programme of opening 400 additional branches throughout the country within the next five years.

The State Bank of India offers to serve you efficiently in many ways. It takes care of your savings and valuables, lends moneys against goods, produce and other approved securities and assists you by accepting appointment as executor and/or trustee of your will or trust. Its wide and varied services are at your disposal. Why not talk things over with your nearest bank agent, or write for information?



The State Bank's branch at Delhi, one of more than four hundred offices waiting to serve you throughout India

STATE BANK OF INDIA

Largest of the Indian Joint Stock Banks

WORLDGRAM

AGRICULTURE

Agricultural and Animal Husbandry Research Schemes: The governing body of the Indian Council of Agricultural Research which met in New Delhi on February 22 sanctioned funds of the order of Rs. 212 lakhs for agricultural and animal husbandry research schemes for the next three years. Of this amount Rs. 59 lakhs have been allotted for new schemes and the rest for current schemes which are to be continued. Intensification of research on hybrid maize, a co-ordinated programme for the improvement of millets, intensification of research in fruits, organisation of fruit shows, breeding and upgrading of buffaloes and award of prizes for the improvement of agricultural implements are some of the new important schemes sanctioned by the governing body. The conference also approved of a proposal referred to by Dr. Deshmukh, that the budget of the I.C.A.R. should be prepared on a biennial basis on the lines of the international organisations like F.A.O. instead of annually as at present.

World Peanut Production: World production of peanuts in 1955 was estimated at a record 12,100,000 tons, according to information gathered by the U.S. Department of Agriculture. This will be an increase of 5 per cent over the production of the previous two years. The most significant increase occurred in the United States, where production was up about 70 per cent from 1954. Harvests in Africa, particularly French West Africa and British West Africa, were also expected to be considerably larger than in the preceding year. Production in India was down slightly and in Argentina was 16 per cent below the production of 1954.

INDUSTRY

Increase in Cotton Textiles Output: The total production of mill-made cloth in India in 1955 was 5,094 million yards as against 4,998 million yards in 1954 and 4,879 million yards in 1953. During the same period, the production of handloom cloth increased by over 100 million yards every year. The production of handloom cloth increased from 1,200 million yards in 1953 to 1,318 million yards in 1954 and 1,454 million yards in 1955. The total production of powerloom cloth was 273 million yards in 1955 as compared with 243 million yards in 1954 and 221 million yards in 1953. The medium varieties accounted for nearly three-fourths of the total mill output in 1954 and 1955. The actual percentage was 73.8 in 1955 and 1954 as against 64.3 in 1953. The percentages for the other varieties were coarse 11.2, fine 9.0 and superfine 6.0 in 1955. While the output of coarse and superfine cloth in 1954 and 1953 was almost at the same level as in 1955, the output of fine varieties which was 17.2 in 1953 fell steeply to 9.2 in 1954 and remained almost at that level in 1955.

TISCO's Expansion Programme: By June 1956, the production capacity of the Tata Iron and Steel Company Ltd. will be 1.5 million tons of saleable steel per year after the completion of the expansion programme for which machinery and equipment worth about Rs. 37 crores will have to be imported. The programme envisages increase in capacity for coke ovens, blast furnaces, steel melting shops, calcining plant, a new blooming mill and a new sheet bar and billet mill, a rail and structural mill, a new medium and light structural mill, a merchant mill and skelp mill, a wheel, tyre and axle plant, and a sleeper plant.

Iron Ore Output in India: The estimated total output of iron ore in India increased to 437,568 tons in December 1955, from 330,285 tons in November, 1955, according to official statistics released by the Chief Inspector of Mines in India. Returns received from 88 mines for the month of December, 1955, show despatches totalling 274,271 tons to the iron and steel plants and 79,935 tons to the export market. The reported stocks as at the end of the month amounted to 1,148,463 tons.

New Company for Nangal Fertilizers Project: A private limited company, known as the Nangal Fertilizers and Chemicals, Ltd., has been registered to take over the control and management of the Nangal Fertilizer-Heavy Water Project of the Government of India. The authorised capital of the Company is Rs. 30 crores. The fertilizer-heavy water factory to be set up at Nangal will have a capacity of 70,000 tons of nitrogen in the form of ammonium nitrate, and about 7 to 8 tons of heavy water, per year.

Drilling Rigs for Coal Prospecting: An agreement between the Government of India and the USSR for the purchase of 20 drilling rigs at a cost of Rs. 21,53,400 was signed recently. The rigs, according to the agreement, "shall be shipped by the suppliers as soon as possible but not later than first quarter of 1956." The drilling rigs will be utilised for prospecting and proving of coal in Korba, Karanpur, Jharia, Raniganj, Chirimiri, Jhilmili and Ramgarh in Bihar, West Bengal and Madhya Pradesh coalfields.

FINANCE

Levy of Excise Duty Under Finance Bill: With effect from March 1, 1956, a Central Excise Duty of Rs. 70 per ton has been imposed on "Vegetable Non-essential Oils", in or in relation to the manufacture of which any process is ordinarily carried on with the aid of power. Two kinds of oils are manufactured from the members of the vegetable kingdoms; they are technically known as "essential" and "non-essential". "Non-essential" oils are subject to the new Central Excise duty, "essential" oils are not.

Grants for Development of Handicrafts: The Government of India have sanctioned further loans and grants amounting to over Rs. two lakhs to the All-India Handicrafts Board and the States of West Bengal, Uttar Pradesh, Bhopal and Assam for the development of handicrafts. The All-India Handicrafts Board has been given a grant of Rs. 57,480 for continuing as an experimental measure for one year the scheme to develop the brocade industry at Surat. Three loans of about Rs. 27,000 and three grants of about Rs. 50,000 have been sanctioned to West Bengal. Uttar Pradesh gets two grants of Rs. 21,700 and Rs. 18,400 for the development of the cane and bamboo industry and the traditional toy industry at Banaras. A sum of Rs. 26,5000 has been given to Bhopal as grant for starting a mobile sale unit with a mobile van in the State.

Transfer of Post Office Savings Bank Accounts and Cash Certificates from West Pakistan: The Union Ministry of Rehabilitation has invited applications up to March 31, 1956 from contractors and others in respect of their dues payable by Government and quasi-Government bodies in West Pakistan. Items in respect of which applications have been invited include 'inter alia', claims in respect of securities in the form of Post Office Savings Bank accounts or postal certificates

pledged or hypothecated with the authorities in Pakistan. The Central Claims Organisation will secure release of such securities through its opposite number in Pakistan. After the release of the securities the accounts and certificates would be transferred to India duly verified by the postal authorities in Pakistan. Applications for transfer of such postal accounts or postal certificates would be accepted by the Director-General of Posts and Telegraphs in relaxation of those dates, provided the fresh applications are filed within six months from the date of the release of Post Office Savings Bank accounts or postal certificates, or up to April 30, 1956, whichever falls later. The above arrangements are also applicable to security deposit claims of Government servants, servants of States and local bodies, which were in the form of Post Office Savings Bank Accounts and postal certificates pledged or hypothecated with the authorities in Pakistan where they were employed prior to migration.

*

Japan's Import Budget: The import budget for the latter half of the current Japanese fiscal year was announced by the Japanese Government in October, 1955. The budget totals up to 1,314 million dollars and involves an increase of about 150 dollars over the budget provision made for the last half year and about 220 million dollars over that for the second half of 1954-55. The automatic approval system and the foreign currency allocation systems have, however, not appreciably modified. It is understood that of the total import budget, about 34 per cent has been earmarked by the Government of Japan for purchases from the Sterling Area. In the second half of 1953-54 and the first of 1954-55, these percentages were only 18 per cent and 20 per cent respectively.

TRADE

India's Trade Agreements: The Trade Agreements with Iraq, Czechoslovakia, Hungary and Italy which expired at the end of 1955, have been extended for a period of one year. Trade Agreements with Indonesia and Austria which also expired at the end of 1955, had been extended until the end of June this year. The Agreement with Poland had been extended until the end of March 1956 and further extension was under consideration. The extension of Agreements with Burma, Bulgaria, Finland, Norway and Rumania, which expired at the end of last year, was under consideration.

*

Rupees 69-Crore Increase in India's Foreign Trade in 1955: The value of India's total foreign trade in 1955 increased by Rs. 69 crores as compared with the level reached in 1954 which in turn was higher than in 1953. Increased domestic output on the one hand and the growing need for capital goods for development activities in the country on the other were mainly responsible for this increased volume of trade. Exports during the year were valued at Rs. 604 crores as against Rs. 563 crores during 1954. Imports rose to Rs. 644 crores from Rs. 616 crores in the previous year. The total trade thus increased from Rs. 1179 crores in 1954 to Rs. 1248 crores in 1955. The overall trade deficit declined from Rs. 53 crores in 1954 to Rs. 40 crores.

*

Indo-Dutch Trade: During the months of July and August 1955, India's exports to the Netherlands were valued at 7,411,000 guilders, whereas her imports from the Netherlands amounted to 15,496,000 guilders. Although the balance of Indo-Dutch trade during January-June 1955, was unfavourable to India, a considerable improvement was noticed in India's export

trade as compared with the same period in 1954. The value of India's exports to Holland increased from 20,438,000 guilders during January-June 1954 to 24,039,000, guilders during the corresponding period, in 1955. Imports from Netherlands on the other hand, declined from 41,143,000 guilders during January-June 1954, to 38,044,000 guilders during January-June 1955.

*

Controlled Imports of Cement: The Government of India has decided to import 500,000 tons of cement during the current half year. It is stated that the Associated Cement Companies will finance, import and distribute the entire imported cement on behalf of the Central Government without any charge. There have been offers for sale of cement from a number of countries including Russia, Yugoslavia, Poland, Bulgaria, Czechoslovakia, Denmark, Belgium, Italy, France, Britain and Japan. It is, however, proposed to buy the commodity in the cheapest market.

*

Burma-Polish Trade Agreement: A three year trade Agreement was concluded on 1st November 1955 between the Government of the Union of Burma and the Government of Polish People's Republic. The Agreement envisages the promotion of the economic and trade relations between the two countries on principles of equality of rights and mutual benefits. Under the Agreement, Burma will export rice and other agricultural products, minerals and ores, timber, rubber and other goods while exports from Polish People's Republic will comprise consumer goods, machinery, ships, river crafts, motor vehicles, and other capital equipments. Imports from Poland will be on CIF basis, while exports from Burma will be on FOB Burmese ports. The transactions will be in pound sterling unless the parties agree on other mode of settlement.

GENERAL

Aid For Development Projects From USA: Five new Agreements have been signed between the Government of India and the United States under the Indo-US Technical Co-operation programme between the two countries. This is the first lot of Agreements, providing a total amount of \$26 million, to be signed against the \$50 million development assistance allocation for the year July 1, 1955 to June 30, 1956. These relate to supply of pipes for the construction of tubewells; steel for railway rehabilitation and expansion; DDT and other equipment for malaria control; fertilizers and poles for rural electrification.

*

Bank Mission to Trust Territory of Somaliland: The World Bank announced recently that at the request of the Italian Government, it is sending a mission to the Trust Territory of Somaliland. The purpose of the mission is to study the existing situation and the Territory's possibilities for development. D. Crena de Iongh, for many years Treasurer of the World Bank and recently retired as Executive Director of the Bank from the Netherlands, will head the mission. The other members are John. H. Williams and Jean-Marie Jentgen, economists on the Bank's staff, and John F. V. Phillips, Agricultural Consultant.

*

No Change in Tea Export Duty: The Government of India has issued a notification fixing the price of tea, for the purpose of determining the export duty, at Rs. 2-11-4 per lb as against Rs. 2-14-1 per lb in force from February 1, 1956. There is no change in the existing rate of duty of annas six per lb.

NEWS IN BRIEF

INDIAN

The Government of India has accepted the principle of a centralised machinery for the purpose of buying Government requirements of stores, with adequate safeguards for direct purchases where necessary. The majority of the recommendations of the stores purchase committee for improving the working of the Central purchases organisation has been examined and accepted by the Government.

*

The Working Journalists (Conditions of Service and Miscellaneous Provisions) Act, which provides certain minimum standards in respect of various aspects of employment of working journalists and others in the newspaper industry, will, like similar other measures, be administered by the Ministry of Labour.

*

The total consumption of sugarcane by the sugar mills in Madhya Bharat during 1954-55 was 1,10,840 tons as against 1,23,920 tons in 1953-54 and 79,713 tons in 1952-53.

*

Seventeen Central Government officers were deputed abroad for training under the various Technical Assistance Programmes viz., animal husbandry, agriculture (including fisheries) and forestry during the year 1954-55.

*

The Union Food and Agriculture Minister, Shri Ajit Prasad Jain, stated in the Lok Sabha recently that a loan of Rs. 30,000 and a grant of Rs. 14,063 were sanctioned to the Government of Madhya Bharat during 1954-55 for municipal compost production under the grow-more-food programme.

*

It is reported that the Godhra-Ratlam section of the Western Railway, a distance of 116 miles on the main line, is to be doubled at an estimated cost of Rs. 8.5 crores.

*

A contract for the supply, erection and commissioning of plant for the expansion scheme of the Sindri Fertilisers and Chemicals has been awarded to Montecatini of Italy. The contract has been awarded on the "turn key" basis (completely erected and fully commissioned) at an all-inclusive price of £5.3 million.

*

A sericulture training institute is to be established at Srinagar, in order to meet the need for providing training facilities, particularly in silk worm rearing.

*

An interest of 3½ per cent on the provident fund accumulations for 1956-57 under the Employees' Provident Fund Scheme was recommended by the Central Board of Trustees at its meeting held recently in New Delhi.

*

A plea for statistical studies "to analyse productivity of labour in various conditions with a view to evolving conditions of work and incentives which will produce better results, was made by Director of National Building Organisations in his speech at the first meeting of the National Building Council.

*

A sum of Rs. 7,20,500 has been sanctioned by Government of India for road development work in Uttar Pradesh, Sikkim, Manipur and Kutch.

*

The Government of India have decided to set up more fertilizer factories, one at Rourkela in Orissa and the other at Neyvelli in Madras State, in addition to a fertilizer-cum-heavy water factory at Nangal.

FOREIGN

The Singapore Government has published a bill which seeks to simplify income-tax provisions regarding dividends and to grant concessions to rubber and tin companies.

*

The East German fiscal authorities have imposed, with retrospective effect from January 1, 1954, a levy of 25 per cent on all blocked accounts owned by non-residents. In addition, a capital-tax of 1 per cent is imposed on all those accounts which exceed 1,000 marks.

*

France has opened credits for financing the programme of imports from Indonesia. Under this programme, France will import black tea, leaf tobacco, hides and skins, cocoa, copra and copra meals, hapok, sisal, rubber, tin, spices, essential oils, oilseeds and bones. Quotas for coffee, pepper and maize will be realised later.

*

Long-term investigation into the preservation of hides and skins by treatment with radioactive materials such as atomic waste has been instituted in Britain.

*

An International Marketing Conference, designed to show business men how to sell in the United States, will be held at the University of Washington in Seattle April 25 to May 2.

*

Last years world output of merchant ships, excluding Russia, China and Poland was the highest since 1920, except for the war years.

*

It is reported that Japan's trade with India has recorded a relatively steady expansion during the past few years.

*

It is reported the Soviet Government has agreed to assist in the establishment of the Western Higher Technical Institute at Bombay under the UNESCO's expanded programme of technical assistance for 1956.

*

Mr. A. R. W. Low, Minister of State, Board of Trade, announced in the Commons recently that Britain is to apply a 10 per cent ad valorem tariff on Danish bacon imports for four years from October 1, 1956.

*

The rate of interest on the £11½ million loan to India to be made by a syndicate of British banks in connection with the 1m-ton steel plant agreement will be 1 per cent above British Bank Rate—that is, at present 6½ per cent.

*

The Dutch Department of Economic Affairs has decided to maintain the price ceiling for newsprint first introduced on December 1 last. Control of newsprint is also to continue.

*

A new estimate places Middle East crude oil reserves at 117,300 million barrels, compared with the 230,000 million barrels estimate made earlier by the Production Review Committee of the American Institute of Mining and Metallurgical Engineers.

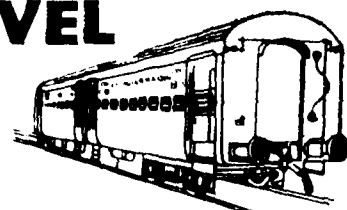
*

US production of synthetic rubber in January, 1956 was at a record level of 93,485 tons, compared with 69,929 tons in January, 1955 and 90,319 tons in December, 1955.

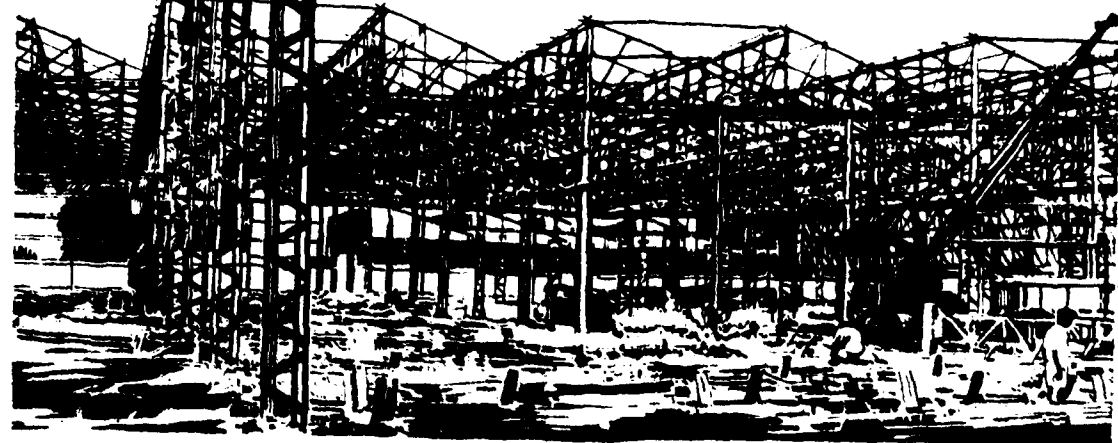
*

It is reported that the US has promised to finance about half of Pakistan's five year development plan, which is at present in the final planning stage.

ALL-STEEL TRAVEL



The day draws near when all-steel railway coaches will roll out from the Perambur Integral Coach Factory at the rate of one a day. This national undertaking, situated a few miles from Madras, will be the largest coach factory in all Asia. To complete the project, 81,000 tons of Structural Steel and 12 miles of Railway track will be required and 15 miles of water supply pipes will be laid.



STEEL FOR PROGRESS

Inserted By



Managing Agents **MARTIN BURN LTD.**

12 Mission Row, Calcutta-1

Branches: New Delhi, Bombay & Kanpur

MX-52

Special Articles

CANNING WHAT WE CAN

(CONTRIBUTED)

THE increase in the production of cereals in recent years now provides a per capita availability of 14.4 ounces per head which exceeds the first Five-Year Plan target of 13.71 ounces per head. A gravely unbalanced diet, however, continues, and the time is opportune to concentrate attention on the production of fruits and vegetables, which constitute the main deficiency. The annual production of vegetables is about 4 million tons and of fruit about 6 million. The inadequacy is augmented by wastages between the farms and consumer, which are estimated at 20 to 30 per cent of the total crop, while only about 0.62 per cent of the crop is preserved in any form. The aim should be to increase present average consumption of vegetables, which is a little less than an ounce per day, and of fruit, which is a little more than an ounce a day, to a level of at least 3 ounces of fruit and 10 ounces of vegetables, which nutritional experts regard as adequate. This would imply that the country would have to double its fruit production and increase its vegetable production tenfold without taking into consideration any increase in its present population. The two inter-related problems are to increase total supplies and to eliminate the heavy incidence of wastage. It is a field of endeavour pregnant with many possibilities for health, land utilisation, foreign exchange and national wealth.

Among the complex of factors that have limited the production of fruits and vegetables to areas serving the large towns, the most crucial is the extreme perishability of these goods. It is this which limits markets geographically, and creates a heavy wastage and exaggerates the seasonal fluctuations which make horticultural production on any large scale an extremely precarious undertaking. From this emerge the two points that require attention, the extension of processing facilities, so that these products keep in edible condition, and transport. It is imperative that these facilities are provided at the lowest possible costs, if horticultural produce is to form any part of the average man's consumption.

There are many parts of the country which are ideally suited to support a prosperous horticulture. Kashmir is perhaps the first which occurs to the mind. Kashmir fresh fruits can command a North Indian market, but much must be done before the potentialities of the trade in India and world outside are utilised. Assam produces excellent oranges but in the absence of preserving or canning facilities, its products are priced out of an extensive market by the prohibitive costs of flying fresh fruit to Calcutta. The Nilgiris would develop under the stimulus of a horticultural industry. For employment in general, the intensive methods of horticulture and fruit processing hold out many possibilities that require to be seriously examined, particularly as many of the regions most likely to be concerned will not be able to attract heavy industry in the foreseeable future.

This drive against dietary deficiency and for increased horticultural production, particularly fruits, can be based on a widespread cottage industry with important implications for rural employment and living standards. A range of inexpensive but efficient equipment is available for canning on a small scale. While the production of the precision-made cans that processed food require is essentially a matter of large-scale industry, cans are supplied in small quantities transported in a

flattened condition to save freight, and simply reformed at the processing points by low cost equipment. The actual establishment of canning stations at suitable locations provides few problems, but there are a number of steps which are immediately indicated if the present inhibitions of horticulture and processing are to be removed. An expansion of research facilities particularly directed to the development of special varieties of crop for canning is indicated. The imaginative plans for horticulture announced by the President of the Imperial Council of Agricultural Research when implemented will provide the basis of a supply of good quality fruits and vegetables, and sugar which is extensively used for processing fruits should by then be freely available. Cheap freight rates, for the raw materials and finished products are an imperative necessity.

This factor alone is at present sufficient severely to limit the market for processed horticultural produce, and finally cheap cans—which are an impossible consideration without substantial reduction in the present inflated price of tinplate. It is these cost factors which primarily deserve attention in attempts to increase the per capita consumption of fruits and vegetables, to cut down wastage and develop horticulture.

The responsibility for providing low cost processing facilities must primarily rest with the Government of India. The fruit and vegetable processing industry as it now exists is too small to take the initiative, and the crucial factors—freight rates and tinplate prices, bearing a substantial steel Equalisation Fund levy—are not within its control.

The other point to be stressed in the context of the food preservation industry—as some Indian canners are already aware—is the importance of developing packs that appeal to the Indian public. The market to be aimed at by growers and processors is indicated by the deficiencies of the Indian middle-class diet.

Canning throughout the world has made remarkable progress during recent years. Its extension in the United States, Europe and Japan is an indication of its possibilities; its establishment in Malaya and the Philippines is inter alia a warning that unless effective steps are taken now, this country may lose the chance to build up a valuable external market for canned tropical fruits. An indication of the integral role of processed food in agriculture in some of the more developed countries is given in the statistics appearing on the next page.

The study underlines the extremely small scale on which processing is undertaken in this country compared to its progress in other parts of the world, where food processing constitutes a revolution, in agricultural production and in dietary patterns.

The uninspiring performance of the Indian industry is of no small part due to high freight rates and high tinplate prices. Indigenous tinplates for the processed food industry cost approximately Rs. 1,350 per ton, which is exceedingly high by international standards. The corresponding price for tinplates in the U.K. is Rs. 950.

To summarise, the points that deserve attention are:
(a) research facilities for horticulture,

- (b) crop development consciously planned with the intention of processing its products for specific markets,
 (c) regular sources of fruit and vegetable supply at economic prices,
 (d) cheap freight rates,
 (e) cheap sugar,
 (f) recipe development—evolving products to the

taste of the public.
 (g) cheap cans, which means cheap tinplate.
 The addition of good quality and hygienic fruits and vegetables into their diet will probably be the single most effective contribution that is both immediately practicable and commercially feasible to better standards of nutrition, public health and preventive hygiene.

CANNING INDUSTRIES IN DIFFERENT COUNTRIES—1951/53

(In lakhs of processed food cans)

Annual Output Groups		Number of Cannery in each Quantity Group								
		India	Malaya	U.K.	South Africa	Holland	Australia	B. W. Indies	Palestine	U.S.A.
Below	..	.05	47	..	..	..	..	..	..	..
Between	.05 to	.1	15	..	..	..	..	..	..	..
"	.1 "	.25	18	..	..	..	..	..	..	..
"	.25 "	.50	10	..	..	..	..	..	..	..
"	.50 "	1.0	11	..	..	..	..	..	..	..
"	1.0 "	1.5	3	..	..	..	..	..	..	..
"	1.5 "	2.5	1	..	..	70	..	..	5	..
"	2.5 "	6.0	3	..	..	19	..	5	12	..
"	6.0 "	10.0	..	7	289	50	16	1	9	..
"	10.0 "	25.0	..	..	..	..	..	..	..	..
"	25.0 "	50.0	..	3	47	33	38	2	2	..
"	50.0 "	100.0	..	1	17	14	8	2	..	..
"	100.0 "	200.0	..	3	12	5	6	1	..	..
"	200.0 "	500.0	..	..	8	3	3	17	..	..
Over	500.0	..	..	7	..	..	..	..	..	..
Total quantity of cans used		36	519	22,850	3,700	3,500	100,000	384	200	192,000
Total number of cannery		108	14	380	105	160	96	11	30	3,500
Average size of cannery's offtake		.33	37.07	60.13	35.24	21.87	104.16	34.9	6.66	55

N.B. 1. No breakdown is available for Japan. Production is now almost certainly between 6,000 and 7,500 lakhs of cans of food of which approximately two-thirds are for home consumption.

2. Annual figures are not available; the above has been compiled from statements from different countries covering single years between 1951 and 1953.

INDIA'S ADMINISTRATIVE PROBLEM—III

Services Under Democracy

By

SARDAR K. M. PANIKKAR

THE third basic change arises from the democratic structure of the Indian government. The civil services in India were organised not merely to administer but to govern the country. During the period of British authority the direct control of administration by political authorities was never seriously considered. Even under the provincial autonomy scheme of 1936, which operated only for too short a period to enable the services to gain experience or to develop a tradition, the Central Government was still under non-parliamentary authority. The methods of the civil services, their administrative practices and their departmental tradition, all of which together constitute the character of the civil services, were evolved and took shape in a non-political atmosphere. Essentially, the services, therefore, constituted a bureaucracy, a government by officials, as opposed to a government by elected representatives.

To adjust this system, with the tradition of a hundred years behind it, and with its methods and practices, firmly established and worked out in detail, to a parliamentary system would at all times have been a difficult task. In India, it was rendered doubly difficult as a parliamentary government was something new while bureaucratic administration was as old as history itself. India has always been accustomed to be governed by officials; she had not in the past the experience of being governed under a system of parliamentary democracy. The problem of mutual adjustment was something dif-

ficult and strange to both sides. The political chief, by and large, at last to start with, began with suspicion and distrust of the civil servants, not merely as rival claimants to power, but as those who stood for a different system, whose approach to problems, and methods and practices of work were not only different but ran counter to many of their accepted ideas. Also, to the political classes generally, the civil servants represented the tradition of old British rule and were in many cases associated with past policies which were considered to be against the interests of the nation. It was not expected that the new popular policies will find sympathetic or adequate executives in those whose training was in the rigid laissez faire policies of the past. So, the political chief was naturally inclined to belittle the position of the services, and to attempt to work independently or at least without the close collaboration of the service chief working under him.

Equally, the civil services were at first uncertain of their own position and distrustful of the vague doctrines and the rather inchoate programmes of their political chiefs. They were in uncharted seas when it came to political considerations. Also they did not know where their authority ended and that of their Ministers began. They were accustomed to work in well defined areas of authority. From the secretary to the superintendent, every one knows within what range he operated and there was normally but little interference from the top within the sphere of allotted authority.

March 9, 1956.

In a civil service, devolution of power is the norm. Under a system of democratic control, this is obviously not possible, as the Minister's power is all-pervading. He cannot escape responsibility to Parliament in respect of the administration of the department by pleading that his function is only to lay down policy. His function is also to ensure that the policy is carried out. So even in administration he must have authority over the entire field, though it must necessarily be one of general supervision and not of daily interference. The natural result of this is a blurring of the normal division of authority in a bureaucratic system. The civil service could not at first realise what had happened. They had, generally speaking, expected that the old system would continue without any material change, and that the Ministers would be satisfied with the functions that the Members of the Executive Council used to exercise in the past. In the circumstances of new India, this was perhaps not unexpected. Elsewhere, the civil services had developed after parliamentary democracy had been functioning for a long time. A regular civil service came into existence in England only in the second half of the 19th century, after the parliamentary system had functioned as the normal form of government for 200 years. The opposite was the case in India and the adjustment of relation between political chiefs and the services was, therefore, not easy. The services were inclined to forget that the Ministers represented certain policies and programmes, which, whether the administrative machinery considered wise or not, had been accepted by the country. The clamour in Parliament for their effectuation inevitably led to intervention by the Minister. The Ministers, on the other hand, were inclined to forget that policies cannot be enforced without effective processing by trained officials and that processing involved detailed examination on the basis of experience of administrative difficulties. It is to the credit of both the political leaders and the senior members of the service that within the short period that we have worked our democracy we have been able to strike a balance.

In a parliamentary system, the relation between policies and administration is of the essence of government. It is the function of the services to render advice on all matters of policy based on their experience and their knowledge of administrative problems. That is the higher aspect of the civil servant's work. It is not right to think that policies do not concern the civil servant. Programmes of political parties do not; but when the programme of a party is translated into a policy of government it becomes an immediate concern of the civil servant. It is then that he has to examine it in terms of practicability and formulate into precise terms the vague phrases in which policies are generally clothed. The processing of policies is essentially the work of the civil servant and it has nothing to do with policies. If, therefore, perfect co-operation does not exist between the political wing of the government and its civil service personnel, parliamentary democracy will not function at all.

The impact of democracy on the civil service is not at the level of parliamentary authority. It permeates the entire sphere of administration, at village and district levels no less than at the government levels. The idea of the civil servant that he should be left free, as before, to administer his district is impossible in a democratic system. Here again the inherited tradition of India is in conflict with our parliamentary system. From the earliest times the district officer was the representative of the 'raj', the 'ma-bap' of the people and equally the spokesman of the district in relation to the provincial government. He represented the interests of the area, championed its causes and claimed its due. Under a democratic system that position must necessarily

undergo a modification. It is not he who represents the people of the district before the provincial government, but the member elected from the area to the state assembly. It is the duty of the people's representative to air in the legislature local grievances and seek remedies from the provincial authorities. With the decline of paternalism, inevitable in a democratic society, the collector or district magistrate also ceases to be the 'ma-bap'. He is no more the representative of the 'raj' in its widest implications but only of the administration. Besides, with much of the welfare work in his area going into non-official or specialised agencies, he ceases to overshadow all the others in the district. These are unavoidable tendencies, conditions inherent in the establishment of a democratic state.

It is, however, necessary to consider how far in a State like India which has traditionally been an administrative State, the executive head of the district could be safely reduced to the position of a mere functionary. The strength of the Indian government at all times has been the stability of its district administration, dependent on the initiative and sense of responsibility of those in charge of this basic unit of government. Under a democratic system the tendency is to weaken this, depriving the district officer of all but his administrative functions. Such a tendency if carried out to its logical conclusion will, in my opinion, weaken our political structure and, therefore, something in the nature of a compromise has to be evolved, which will leave effective power of control in the hands of the district officers without at the same time weakening the democratic machinery or affecting the democratic process of the government. Such a compromise has been working satisfactorily in France, where the Prefects function, with extensive power, side by side with democratic institutions. The secret of the unique stability of French administration in face of the proverbial chaos of French politics lies in the successful working of this compromise. I would earnestly recommend this question—the position of the district officer in a democratic government such as ours—as a serious subject of study and research by the Institute of Public Administration.

From the above analysis it will be seen that the civil services now functioning in India have but little in common with the imposing bureaucracy that we inherited from the British Indian Government. Their functions are fundamentally different. Their responsibilities are not the same. The range of their operations has been extended beyond recognition and more than all, the objectives they have to serve are not the same, as under the British. It is a false sense of continuity, helped by such externals as designations and salaries, that creates the illusion of identity which leads to a feeling of distrust and suspicion (now happily much less) on the part of the politicians, and of the feeling of frustration of not being left alone to do their work, of general dissatisfaction (which again I hope is gradually disappearing) among the service personnel. Only by frankly facing the fact that the I.C.S. government of the past has ceased and the civil services today are different from what they were for over a hundred years, can the situation be normalised.

There is one other aspect of the civil services in India that I shall deal with. I have emphasised that our two-level administration at the Centre and in the States, on subjects which are clearly defined, requires two-level administrative services. That is a basic fact in a federation, but there are two qualifications which I should like to emphasise. The first is that so far as general administration is concerned, though the Central and State services should be broadly speaking exclusive, in the circumstances of India, it is of the utmost importance that the recruitment and training should be on a

uniform all-India basis. The regionalisation of recruitment and training, especially now when education tends more and more to be in regional languages, would, in my opinion, be disastrous to our unity. It is necessary that the services in India should be manned by personnel with a like-mindedness of approach, a common type of education and a general Indianness of mind. This could be ensured only if the senior services are recruited and trained on an all-India basis. Equally it is necessary for those recruited to the service of Central Government to have a preliminary training in the districts so that the Central administrative machinery has some relation to the soil and does not belong solely to the rarefied atmosphere of the Delhi Secretariat.

A second qualification is in relation to the technical

services. It is of importance, even where the services are exclusive, that there should be fair uniformity of standards, and gathering of talents from all areas in the more specialised branches of the technical departments like forestry, irrigation and engineering. Unless there are uniform standards, national interests are bound to suffer. Again if selection to such technical posts is confined to men of the same State, it is obvious that quality cannot often be ensured. For these reasons, in the technical services also the recruitment and training should be on an all-India basis, and their allocation to the States should not wholly be on the basis of the candidate coming from that particular State or area.

(CONCLUDED)

Economic Report from the U. S.

U.S. FOREIGN TRADE POLICY

(By Guy Sims Fitch)

WASHINGTON, March 6.—In hearings before the Ways and Means Committee of the House of Representatives, Government officials and private citizens have been arguing convincingly for United States membership in the Organization for Trade Co-operation (OTC). This is the proposed management body for the 35-nation General Agreement on Tariffs and Trade (GATT).

Some 5,000 miles away in Geneva, meanwhile, delegates from the United States and about 25 of its GATT partners are negotiating further reductions in tariff and other barriers to trade. This is GATT's fourth such negotiating session since its inception in 1947.

The Eisenhower administration attaches prime importance to both the Washington and Geneva meetings. In line with the long-standing US policy of favouring freer world trade as a stimulation to economic progress at home and abroad, it has consistently advocated broader opportunities for commerce and a permanent organization to facilitate GATT operations.

Administration officials consider the General Agreement a highly successful venture. Under it multilateral tariff concessions have been made on nearly 60,000 items affecting more than half of world trade. The 35 nations that now adhere to the Agreement conduct more than 80 per cent of all international commerce.

Since World War II, world trade has climbed to a point twice as high as the pre-war peak. This is not a small achievement when it is considered that most of the nations now subscribing to GATT came out of the war with their economies disrupted, their financial reserves near depletion, and their trading potential seriously impaired. US aid—totalling some \$56,000 million in the past ten years—has helped and continues to help them overcome their economic difficulties. Yet such has been the progress under GATT that many of them now earn more dollar income annually from international trade than they received in American aid during the peak years of US assistance programmes.

Many experts question, however, whether GATT, in its present circumstances, can continue to play as

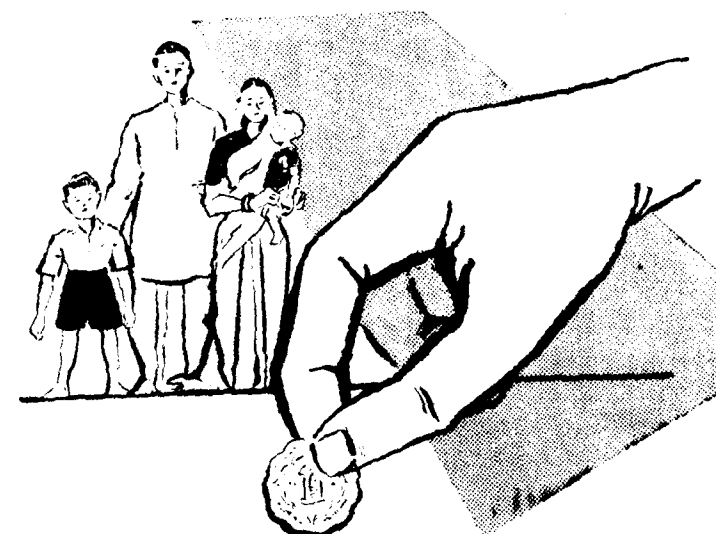
important a part in widening channels of trade. They note that the United States, the leading trading nation, already has reduced its tariffs some 75 per cent in the past 20 years. Under the Trade Agreement Extension Act approved by Congress last year, it can reduce its tariffs another five per cent a year over the next three years, and can lower to 50 per cent those duties that still exceed that level.

This will present an opportunity for some more significant reductions in US duties at Geneva. US negotiators have available a broad list of nearly 1,600 items on which they are prepared to offer concessions, if acceptable reciprocal concessions are forthcoming from the other GATT parties. But with average US tariffs already down to 12 per cent of dutiable imports, further large-scale American reductions in the years ahead may be difficult to achieve. This also may apply to reductions by some other countries.

Thus, GATT operations may have to be concerned in the future, to a greater degree than in the past, with formulation and observance of trading rules and speedier settlement of differences among trading partners. Beyond that, the contracting parties probably will be laying greater stress on another important GATT function that has been overshadowed to some extent by the emphasis on tariffs—namely, reduction and elimination of other kinds of trade barriers, such as the import quotas that still discriminate against goods from the United States and some other countries. In each of these spheres, OTC—a formal and permanent body with a full-time secretariat, such as the General Agreement does not have now—could prove a valuable instrument.

There is a growing body of opinion in Washington that the arguments in favour of OTC are beginning to take hold. Most observers believe the Trade Organization will gain the approval of the crucial Ways and Means Committee and the full House as well.

Whether it can pass the second Congressional hurdle—the Senate—is far more doubtful. But informed officials here are more optimistic over Congressional approval of OTC than they were a few weeks ago.



LET EVERY FAMILY SAVE *One anna more* PER DAY

If every Indian family decides to save even so small a sum as one anna more per day it will all add up to Rs. 13.5 crores in Small Savings per month and Rs. 162 crores a year. Small Savings by millions will help finance all our ambitious development programmes. Remember that National Savings Certificates and National Plan Certificates can be purchased for as small a sum as Rs. 5/-.

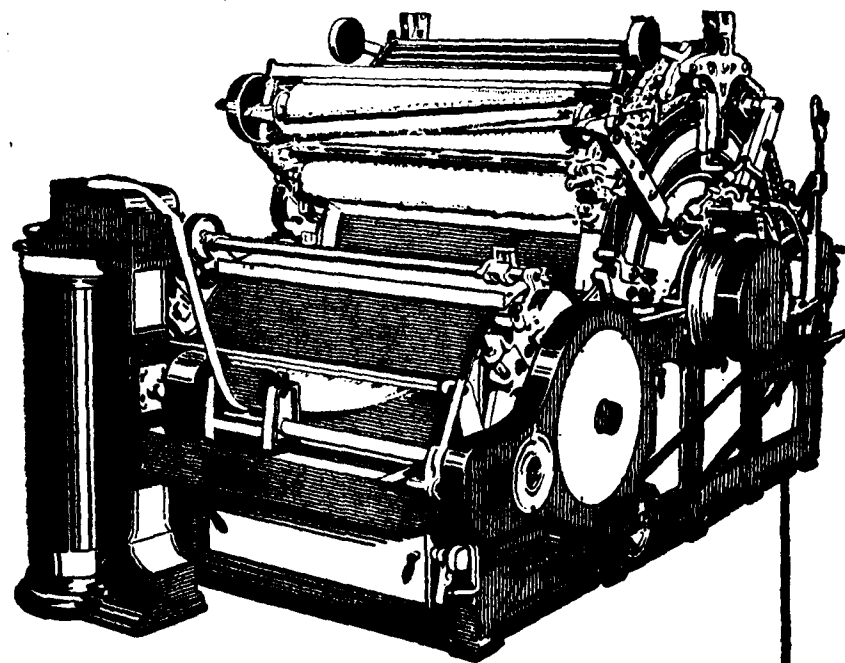
Invest in
GOVERNMENT OF INDIA

SMALL SAVINGS SCHEME

12-YEAR
NATIONAL SAVINGS CERTIFICATES
10-YEAR
TREASURY SAVINGS DEPOSIT CERTIFICATES
10-YEAR
NATIONAL PLAN CERTIFICATES
15-YEAR
ANNUITY CERTIFICATES
POST OFFICE SAVINGS BANK DEPOSITS

For further particulars and/or rules governing these investments please write to the National Savings Commissioner, Simla, or to the Regional National Savings Officer of your state.

DA 55/164

MMC**revolving flat cards**

are now being extensively used
in Textile Mills in India.
Their efficiency is undisputed,
their reliability guaranteed.

Outstanding features

- 1 Five distinct setting points, used singly or in combination to control setting to .001 inch.
- 2 Johnson bronze bearings for cylinders and doffers. Roller bearings to cylinder; ball bearings to doffer and ball bearing comb box also provided as optional equipment.
- 3 Ball bearings to lick-in pedestals.
- 4 Self-lubricating 'O-lite' bearings at several locations.
- 5 William's patent stripping motion for flats.
- 6 Drop lever with new disengaging handle.
- 7 Fluted lap roller with positive gear drive from feed roll helps uniform feed of lap at the back with minimum possible stretching.
- 8 Cards can be geared for any production in a mill organization.

MACHINERY MANUFACTURERS CORPORATION LTD.

Factory: Sonai Works, Kidderpore, Calcutta 23.

Managing Agents:

MAHINDRA & MAHINDRA LIMITEDHead Office: Gateway Building, Apollo Bunder, Bombay.
Calcutta Office: Hall & Anderson Building, Park Street.*The Business World***IMPLICATIONS OF BUDGET PROPOSALS**

By
CROESUS

ALTHOUGH the stock exchange is normally a dependable barometer of the economic health of the country, I would not judge the reactions on the stock exchange immediately following the Budget even ordinarily—let alone when the Budget proposals were known—as a correct appraisal of the effects of the Budget. For the post-Budget session is always available of to counteract a given position—bearish or bullish—assumed in pre-Budget dealings, with the result that the direct effects of the Budget are eclipsed by some other effects arising out of extraneous factors or non-budgetary causes. To say, therefore, that, because, after the initial decline, the stock markets have improved is an indication that the Budget has been welcomed by the business community is not correct, strictly speaking.

The Finance Minister has asked the public to judge his tax proposals on the basis of not what Government seeks to take from this sector or from that but of what the proposal, in terms of mobilising the real efforts of the country, means. It is precisely on this basis, namely, in terms of mobilising the real efforts of the country that the business community seems to apprehend that the tax proposals for the year 1956-57, which the Finance Minister regards as the first step towards the implementation of the second Five-Year Plan, are not likely to yield the desired result. On the contrary, the consensus of opinion in these circles is that the 1956-57 Budget is far from being helpful to capital mobilisation. I shall endeavour to show why this is so, according to them.

For our purposes here, it is not necessary to go over all the dozen and a half or so proposals, big and small, which the Union Finance Minister has made. Out of the Rs. 35 crores of additional tax revenue that Shri Deshmukh envisages, the net additional revenue from changes in excise duty alone amounts to Rs. 25 crores, so that hardly Rs. 10 crores are sought to be raised by way of direct taxes. Incidentally, the relative smallness of this amount is put forward by official sources to make the point that no substantial draft has been made on the resources available to the private sector, a subtle point to which I shall shortly revert. Out of Rs. 10 crores referred to, a sum of Rs. 1 crore is expected from certain adjustments in the supertax payable on incomes above Rs. 70,000 which raise the rate of tax on the highest slab of income, that is above Rs. 1½ lakhs, to 91.9 per cent against the existing figure of Rs. 88.6 per cent. The Finance Minister has been at pains to make out that this is, in effect, what the Taxation Enquiry Commission had recommended. But, if I may venture to differ from him, there is an important difference, namely that, had the Taxation Enquiry Commission's recommendations regarding the surcharge-cum-compulsory deposit at a graduated rate on incomes above Rs. 25,000 up to a maximum of 5.6 per cent been implemented, there was a possibility of the assessee in this category getting back his deposit together with interest, albeit after 45 years. Under the relevant budget proposal now, however, there is no question of any such repayment.

Another proposal which is expected to yield a similar amount, namely, Rs. 1 crore is to introduce a tax on registered firms. In view of the Government's accepted policy of equating everything, this has at least the merit of consistency, although it ignores the considerations that prompted the income-tax authorities in the past to offer certain concessions to registered firms as against non-registered firms.

But the really important proposal, from which (and other incidental changes) the Finance Minister expects an increase in revenue of as much as Rs. 8 crores, refers to the tax on corporations. One of the justifications that the Finance Minister has put forward in respect of this special attention of his to corporations is that about half of the Government's direct taxes comes from this and there has been no change in company taxation during the last five years. According to him, Rs. 8 crores is "a small extra burden on companies" and "there is adequate justification for it". Be that as it may, the bulk of these Rs. 8 crores is to be obtained by (1) doing away with the rebate of one anna of income-tax at present given to non-Section 23-A companies in respect of undistributed profits, (2) levying an additional super-tax at a graduated rate on the dividends declared by Indian companies above 6 per cent (2 as. in the rupee on the amounts distributed in excess of 6 per cent but up to 10 per cent on the paid-up capital and 3 as. in the rupee on amounts distributed above 10 per cent of such capital); and (3) imposing a tax of 2 as. on bonus issues. In a sense, these proposals are both complementary and contradictory. Thus, while the Finance Minister has removed the rebate of one anna on undistributed profits, he has sought, nevertheless, to maintain the distinction between distributed profits and undistributed profits by the proposal to levy an additional super-tax on dividends above a given limit at a graduated rate; on the other hand, the proposal to levy a tax of 2 as. on bonus issues is definitely penalising those companies which have had the far-sightedness (or, shall we say in retrospect, foolishness?) to plough back profits. It is significant that Shri Deshmukh should have remarked, in reference to the tax on bonus issues: "I have taken due notice of the recommendations of the Taxation Enquiry Commission that there should not be any tax on bonus shares. I consider, however, that there is adequate justification for imposing such tax, and, in any case, such tax is an integral part of the scheme I have proposed". Perhaps there is an element of justification for this remark, inasmuch as, after having done away with the rebate on undistributed profits, the Finance Minister has not shown any compunction in taxing bonus issues. However, even after reading the full text of the Finance Minister's speech, it should be remembered both the Chairman of the Taxation Enquiry Commission, Dr. John Matthai, and the well-known business magnate, Mr. G. D. Birla, found it necessary to remark that there has been no change in the situation since the recommendations were made to warrant such a deviation from the Taxation Enquiry Commission's recommendations.

TALKS ON SKIN BEAUTY

Exercise and fresh air are Essential for
Keeping Your Complexion Young and healthy.
But Your Skin Also Needs External Care.

Mysore Sandal Soap

Made from the finest ingredients,
Cleans and tones up Your Skin and Complexion.

Try a Cake to-day

MYSORE SANDAL SOAP

ESSENTIAL FOR SKIN BEAUTY

Available at all leading Stores

Government Soap Factory**BANGALORE**

Member: I.S.T.M.A.

Apart from the adverse effects on individual companies belonging to the affected category, there is, in fact, no justification for this double taxation of the same income. It might be "an integral part" of the Finance Minister's scheme all right in that, after having decided to tax bonus shares, he could not very well afford not to impose the additional super-tax on dividends. But it is not merely this aspect of double taxation that is to be deprecated. Nor is it much good justifying the proposals by saying that, after all, the private sector is not asked to put anything more than Rs. 8-10 crores which it can very well afford without any adverse effect on its own resources to carry out its part of the second Plan. For, in such matters it is not just the extent of the financial consequences that is involved but something more, namely, the psychological effect on capital mobilisation. It is no good saying in one breath, as the Planning Commission has done, that the private sector has to find resources for financing its part of the Plan from its own profits and, in the very next, to say that it should not be allowed any incentive or inducement to plough back profits. It is true that the additional super-tax on dividends in excess of 6 per cent of the paid-up capital of a company serves as an inducement to some extent. But, human nature being what it is, one cannot expect the same reactions to follow from both a positive inducement and a negative deterrent. This, in fine, is the difference between a rebate of one anna on undistributed profits and the additional levy of a super-tax on dividends in excess of 6 per cent, although the end may be the same.

There are yet a few other aspects of the additional super-tax on dividends which have been discussed in market circles, to which I must refer. One of these, for example, is the almost universal demand from every quarter that the 6 per cent limit must not be on the basis of only the paid-up capital but the total capital employed. One is not quite sure that the authorities would be prepared to go this far, but they might at least care to go as far as Sir Archbald Rowlands, the then Finance Member, proposed in his Budget for the year 1946-47. It may be recalled that he also had proposed an additional super-tax at steepening rates on dividends in excess of 5 per cent of not only paid-up capital but capital and reserves together, or 30 per cent of the total income, whichever was higher. Secondly, there is genuine apprehension in certain circles that labour leaders might seize the new formula

of the Finance Minister and press for its adoption by the industrial courts in place of the prevailing national basis for determining the profit available for distribution of bonus. It may be noted here that the industrial courts allow, for purposes of arriving at the amount available for payment or bonus, a given rate of return on capital plus reserves and not merely paid-up capital. There is a further psychological consequence that arises from any penal dividend taxation proposal such as the one in question which would disturb the prevailing yield pattern on investment. Fortunately, the effect of the particular budget proposal in question so far at any rate does not confirm this fear. But it is a fact that initially, at any rate, there was selling pressure in the gilt-edged market and a marked decline in prices after the Budget was presented, a particularly notable instance being the decline in the 3 per cent conversion loan to a new level, a level that had not been touched for several years. There is an attempt to explain this away in the interested quarters by saying that this is only part of a process of stabilisation that has been taking place in the gilt-edged market lately and that it should not be given any undue importance. One only hopes that there is nothing more than this in the pattern of adjustments that has been taking place in the gilt-edged market of late.

Finally, doubling the penal super-tax payable by Section 23-A companies which deals wholly or mainly in investment cannot but be another attempt (in the wake of nationalisation of insurance) to prevent institutional investors in the private sector from large-scale investments in industries in the private sector. These investment companies used to go in for large blocks of good shares, whenever they got an opportunity to do so, but, by forcing their hands to distribute nearly all their profits as now, or to pay in default higher super-tax, the Government might succeed in netting in more super-tax that would accrue in the case of few individual shareholders. But, at the same time, the dispersal of profits by way of dividends among several individuals will, at least to some extent, prevent the flow of the same extent of money as before into the industries in the private sector.

As an illustration of the widely differing and unwarrantedly adverse effect of the additional super-tax proposal the following instances of incidence of the proposal should be read with interest:

(In lakhs of rupees)

	Paid-up capital	Dividend per cent	Amount distributed as dividend	6 per cent exemption	Balance	Tax to be paid
Tata Steel	963.75	14	134.93	57.83	77.10	12.05
A.C.C.	1,271.66	10	127.12	76.30	50.82	6.36
Belapur	47.00	32	15.04	2.82	12.22	2.18
Bombay Dyeing	250.98	10	25.10	15.06	10.04	1.25
Kohinoor	100.00	18	18.00	6.00	12.00	2.00
Shivrajpur	7.00	80	5.60	0.42	5.18	0.95

BUSINESS NOTES

COMPENSATION TO INSURERS

BY AND LARGE shareholders of insurance companies are not satisfied with the basis of compensation as provided in the Life Insurance Corporation Bill. The Indian Insurance Companies' Association, Bombay, has, therefore, addressed a communication to the Union Finance Minister, wherein it has pleaded for a more equitable system of compensation. It says, 'inter alia' that the idea underlying the payment of fair compensation should not only be to reimburse to the shareholder any loss of property or of the value, as at the date on which the business is nationalised, but also cover a fair estimate of the future gains he (the shareholder) would have made, had the business continued in the private sector. Data on the growth of insurance business indicate that there has been substantial improvement, especially in the years 1954 and 1955. In view of this, it is obvious that, unless the future estimated profit available to the shareholder is also taken into account, the compensation payable to them would be meagre. Many of the insurers have diligently built up huge reserves during the last few years and for these again, they are naturally entitled to fair compensation.

According to the Life Insurance Corporation Bill, most of the important Indian life insurance companies will receive compensation equal to 20 times the annual average of the share of the surplus allocated to the shareholders in respect of the last two actuarial investigations earlier than January, 1955. The Bill further lays down that, even where an insurer has, in fact, allocated more than 5 per cent of any such surplus, the insurer shall be deemed to have allocated only 5 per cent.

This virtually reduces the amount of compensation by one-third, as most of the life offices have been allocating about 7½ per cent of the valuation surplus to the shareholders. Even the maximum of 7½ per cent provided for in the Insurance (Amendment) Act of 1950 is itself low, considering that, in the U.K. and other countries, the practice of life insurance business is that the shareholders receive not less than 10 per cent.

In order to determine the annual average, the Bill states, the surpluses allocated in the last two actuarial investigations are to be taken into account, which, in fact, means that the period of average is dated back to the immediate post-war years, when conditions were far from normal due to the Partition of the country and the change in the economic and monetary policies. Similarly the Bill fails to take life funds into account in the calculation of compensation. The Association rightly wants these funds also to be added to arrive at the quantum of compensation.

Further, the amount of compensation, it is to be presumed, will not be treated as dividend, as, actually, it is only a return of the approximate present value of the capital calculated in accordance with the principles approved by Parliament. In any case, it is desirable to clarify this point, if only to protect shareholders from being made to pay income-tax on the compensation received.

TWO HURDLES FOR THE COAL PLAN

THE QUESTIONS posed on behalf of the private sector of the coal industry in regard to the ambitious programme of expansion of coal output by 22 million tons in the second Plan surely require a clear statement of policy from the Government. The obvious reason is that the questions relate to certain risks outside the ambit of the normal commercial risks which the industry would be called upon to undertake. Mr. B. Mitter,

Chairman of the Indian Mining Association, has made a well-reasoned statement of the problems posed by the magnitude of the forthcoming coal plan.

In the absence of an assurance of security of tenure for a reasonable period, the Chairman has been constrained to point out certain ambiguities in the alternative assurance given by the Government in respect of payment of compensation in the event of nationalisation. These ambiguities which call for clarification may be stated briefly: (1) Compensation has been promised on the capital outlay on increased production. In this extractive industry it is technically impossible to make a demarcation between outlay undertaken on maintenance of current production and outlay incurred for expanded production. In fact a continuous flow of new investment is essential throughout. (2) Compensation has been promised on such outlay minus depreciation. Considering the rapid rate of depreciation of assets in the coal industry, full deduction of depreciation value in the short period will fail to make proper justice to the claims of suitable compensation. (3) A condition which has been tagged on capital outlay that would qualify for compensation is that it should be incurred with the approval of the Government. If this condition means that approval must be obtained for every single item of new plant and machinery in individual collieries over an indefinite period, it will create an extremely difficult situation to prepare a well substantiated base for compensation.

The coal industry is apparently worried over the ability of the railway system, in so far as the ability can be assessed at the present stage, to provide transport for movement of coal in keeping with the pace of expanded production. Experience in the past has demonstrated that in practice the railway administrations have usually found it difficult to adhere to their targets of wagon supplies for coal transport. The shortfalls in supplies of wagons for the coalfields of Bihar and Bengal have been cited in proof of this fact. The railway plan as it has emerged in the Draft Outline, however, indicates that the requirements of the coal industry for transport for increased output will be met in full. This statement of the overall position, however, may not meet the requirements of a strict schedule of wagon supplies at the time and in the areas required. Then again there ought to be no room for discrimination in wagon allotments on the principle of two sectors, two priorities, which finds its way in practice. The coal industry has urged that part of the coal traffic should be diverted to coastal shipping. But its demand that the coal freight rates on the coastal routes should be readjusted and brought in line with the prevailing lower railway rates runs counter to the claim made by the shipping interests. The decision of the Government on the recommendations of the Rail-Sea Co-ordination Committee on this issue will have a significant bearing on transport costs for coal.

THE STATE BANK OF INDIA

DR. JOHN MATTHAI's presidential address at the first annual general meeting of the State Bank of India gives a reassuring account of the good start which it has made after the eventful transformation of the former Imperial Bank of India. It is clear from the Bank's working during the first half-yearly period ended December 31, 1955, that the management has achieved success in removing the apprehensions created by the change in the status and character of the Bank. Total deposits which declined from Rs. 203 crores in January 1955 to Rs. 184 crores in June 1955 at the time of nationalisation again curved up and in December, 1955, they stood at Rs. 202 crores, or at the same level as in January. Advances exceeded the level obtaining a

year ago by Rs. 5 crores and amounted to Rs. 107 crores. Investments also recorded an improvement of Rs. 8 crores at Rs. 116 crores. The cash ratio was 13 per cent as compared to 15 per cent a year before, indicating greater diversion of funds for business requirements.

An important aspect of the financial results of the Bank's operations during this period relates to the declaration of dividend. The decision of the Board of Directors to maintain dividend at 16 per cent per annum has been recognised as wise. Computed on the purchase price of the shares which was fixed at Rs. 350 per share of the face value of Rs. 100, the return comes to 4.5 per cent. Nationalisation of the Bank cannot be expected to bring cheaper rates. Explaining the policy on interest rate and charges for banking services, Dr. Matthai made it plain that these could not be lowered because the Bank has to take account of rising costs of establishment and the imperative necessity to meet the costly demand of expanding its facilities for the provision of rural credit. The Bank's gross profit for the second half of 1955 amounted to Rs. 351 lakhs which is Rs. 40 lakhs in excess of the gross profit for the corresponding period of 1954. This excess, however, was completely absorbed by increasing establishment costs. The adjustments in salary, allowances, etc. which became essential in terms of the Gajendragadkar Award accounted for an increase in establishment charges of the order of Rs. 23 lakhs. This is merely an index of the general increase in establishment charges of all the commercial banks in the country.

HEDGE TRADING IN COCONUT OIL

ONE DISCOVERED coconut oil to be "non-essential" only with the publication of the Central Budget, which imposes on it an excise duty of Rs. 70 per ton (6 pies per lb.). In popular parlance, however, the term "vegetable non-essential oils" means exactly the opposite of what it does in technical jargon. Although the Budget has dubbed coconut oil as "non-essential", it does not cease to be important, if not essential.

Coconut oil is produced in considerable quantities in India, and it is appropriate that the Government should have accepted the Forward Markets Commission's recommendation to allow forward trading in this commodity to be conducted by the Alleppey Oil Millers' and Merchants' Association. Though there were two other claimants to this privilege, Alleppey has the peculiar advantage of being in the immediate vicinity of important coconut-growing areas and also of having the tradition of futures trading almost without a break for the last eight years.

Kerala accounts for more than one million acres of coconuts and a major portion of India's coconut industry is concentrated there. The total production of coconut oil, crushed from indigenous as well as imported copra, was 131,000 tons in 1952-53. The Indian Central Coconut Committee has formulated plans for increasing the production of coconuts by 30 per cent during the second Five-Year Plan period through intensive cultivation and pest control measures. On this basis, the target of coconut oil output to be reached by 1960-61 is 140,000 tons. Imports of coconut oil have also risen and amounted to 26,000 tons in 1953-54 against 7,000 tons in 1948-49. The main sources of supply are Ceylon, Straits Settlements, and the Federated Malay States. Among the principal vegetable oils ("non-essential vegetable oils") consumed in India, coconut oil is the only one which is imported, others like groundnut oil, castor oil, linseed oil, rapeseed oil and mustard oil being on the export list.

One of the reasons why forward trading in this commodity is necessary is that its price has been fluctu-

ating over a wide range for the last few years. Because of this and in the absence of a futures market, consumers have not been able to plan their purchases ahead. This is particularly so since the demand for coconut oil is wide, as it arises from a number of agencies like soap manufacturers, producers of toilet articles and individual consumers. Prices of copra and coconut oil influence the prices of other oilseeds and oils; they normally remain at relatively higher levels. Indian prices generally exhibit a trend similar to those in London which constitute the index of world prices.

LABOUR LEGISLATION

THE PRIMARY goal of labour policy must be to maintain progressive levels of employment and in the achievement of this goal harmonious labour-management relations have undoubtedly a high place. Where voluntary agreement between the two parties has not been possible and unresolved disputes threaten to dislocate industry, the machinery of labour legislation has to be brought into play. It is not a fact, as is generally presumed, that managements look upon the intervention of legislation as an unmixed evil.

Dealing with the labour situation in the country in his presidential address at the last session of the Upper India Chamber of Commerce, Mr. W. H. J. Christie has been forthright in his assessment of the value of labour legislation. He has frankly stated that labour legislation was one of the factors responsible for promoting better understanding between employers and employees and also in some measure for reducing the impact of strikes. But by and large it has encouraged a morbid tendency towards interminable litigation. Left to themselves, the two principal parties would compose their differences. But the interposition of outside political leadership in trade unions has often prevented this result. Mr. Christie is of the opinion that the two major sources of dispute which have proved difficult to be tackled through the machinery of legislation are bonus and workload. He suggests that in order to make legislation really conducive to good industrial relations two reforms ought to be introduced in law. Outside trade union leadership should be banned and a 'modus vivendi' should be found to exclude bonus and workload from the sphere of disputes to be settled by law. How exactly this is to be done has not been elaborated by him and he concedes that this will prove a slow and difficult reform. But his suggestion in this behalf is vital and it needs to be worked out in objective detail.

CEMENT IMPORTS

THE REPORTED decision of the Government of India to import cement from soft currency areas on a controlled basis has given rise to speculation whether the object of the projected imports is to keep down the prices of indigenous cement. An assessment of the situation relating to the supplies of cement in the country would point out that this is far from being the real intention of the Government. The target for the production of cement which was fixed at 4.80 million tons in 1955-56, it is expected, will be very nearly achieved and the cement industry will have made impressive strides during the first Plan. Nevertheless, the demand for cement created by the expansion projects in other components discloses some margin of shortfall and it is likely that this deficiency would persist for a year or more. It is to eliminate the deficiency in supply that imports will be restored to. It is presumed on reasonable evidence that the price quotations for imported cement would be much higher than the controlled prices of indigenous cement. These facts should put the question of cement imports in its correct perspective.

COMPANY AFFAIRS

BIRD & CO. GROUP OF JUTE COMPANIES

The Directors' Reports and Audited Accounts for the half-year ended September 30, 1955, of the Lawrence, the Dalhousie, the Auckland, the Union, the Lansdowne and the Northbrook jute companies (Managing Agents: Bird & Co., Ltd.) show that with the removal of all Export Duties by the Government of India from August 1955, Indian mills were put in a stronger position to meet competition from other countries. The devaluation of the Pakistan rupee at about the same time has, however, not proved of any benefit to the Indian industry because of Pakistan Government's decision to maintain their minimum export prices at the same sterling level as previously and the increase in their export duty on raw cotton.

Initially, prices of raw jute and manufactured goods drifted lower in the expectation of a bumper crop of good quality, low priced jute and the removal of the fear of a tight position developing for old crop. Later, however, floods in the jute growing areas and the consequent disruption of communications resulted in a shortage of raw material at consuming centres where prices advanced substantially. Even after the restoration of communications, near delivery jute commanded a premium, making it difficult to dispose of the companies' goods at a profit.

The working results of the individual companies are given below:

The Lawrence Jute Co., Ltd.

After providing Rs. 46,862 for depreciation, the profit and loss account shows a loss of Rs. 2,41,274, and adding Rs. 63,570, transferred to provision for contingencies, makes a total of Rs. 3,04,844. This is reduced by Rs. 14,440 brought forward from the previous half-year, Rs. 25,000 transferred from provision for taxation, Rs. 75,000 transferred from equalisation of dividends reserve and Rs. 2,65,555 transferred from general reserves, totalling Rs. 3,79,995. That makes available Rs. 75,151 to be disposed of in paying a 7 per cent per annum dividend on 'A' and 5½ per cent dividend on 'B' preference shares, and Re. 1 per share on ordinary shares, all without any deduction for income-tax paid by the company, absorbing Rs. 17,500, Rs. 27,500 and Rs. 27,997 respectively. The balance of Rs. 2,154 is to be carried forward.

The Dalhousie Jute Co., Ltd.

Setting apart Rs. 79,118 for depreciation and Rs. 18,182 for taxation, the account shows a total loss of Rs. 1,26,861 which includes Rs. 75,934 transferred to provision for contingencies. This is reduced by Rs. 11,882 brought forward from the previous half-year and Rs. 2,00,934 transferred from general reserve, making a total of Rs. 2,12,816 which makes available Rs. 85,955 for disposal. A 7 per cent dividend on preference shares and a dividend of Re. 1 per ordinary share, without deduction for income-tax in either case, absorb Rs. 52,500 and Rs. 31,459 respectively. The balance of Rs. 1,996 is carried forward.

The Auckland Jute Co., Ltd.

After providing Rs. 2,96,360 for depreciation and Rs. 35,622 for taxation, the profit and loss account shows a profit of Rs. 2,16,748 which is increased to Rs. 2,92,841 by adding Rs. 14,285 brought forward from the previous half-year and Rs. 61,808 transferred from general reserve. An amount of Rs. 61,808 has been transferred to provision for contingencies, leaving an available balance of Rs. 2,31,033. A 5½ per cent dividend on preference shares, 4½ per cent on redeemable preference shares and Rs. 4 per ordinary share, all

without any deduction for income-tax, absorb Rs. 27,500, Rs. 33,750 and Rs. 1,60,000, respectively, leaving Rs. 9,783 to be carried forward.

Union Jute Co., Ltd.

The profit for the half-year, after providing Rs. 70,000 for taxation contingencies reserve, Rs. 5,000 for development rebate reserve and Rs. 2,50,758 for depreciation, amounts to Rs. 3,04,189. Adding Rs. 6,219 brought forward from the previous half-year and Rs. 1,21,421 transferred from general reserve, it increases to Rs. 4,31,829. Provision for contingencies takes away Rs. 1,21,421, transfer to general reserve Rs. 75,000 and to jute stock reserve Rs. 20,000, leaving a balance of Rs. 2,15,408. A 7 per cent dividend on preference shares, and Rs. 5 per ordinary share, both without deduction for income-tax, absorb Rs. 21,000 and Rs. 1,79,890, respectively. The balance of Rs. 14,518 is to be carried forward.

The Lansdowne Jute Co., Ltd.

After providing Rs. 35,000 for taxation and Rs. 82,867 for depreciation, the profit amounts to Rs. 51,004. Adding Rs. 11,135 brought forward from the previous half-year, Rs. 36,578 transferred from general reserve, Rs. 10,000 from jute stock reserve and Rs. 40,000 from provision for taxation, the amount totals Rs. 1,48,657. Provision for contingencies is Rs. 36,518, leaving a balance of Rs. 1,12,139. Of this, a dividend of 7 per cent on preference shares and Rs. 2 per ordinary share, both without deduction for income-tax, absorb Rs. 52,500 and Rs. 48,932, leaving Rs. 10,707 to be carried forward.

The Northbrook Jute Co., Ltd.

The total profit, including Rs. 65,116 brought forward from the previous account, amounts to Rs. 2,89,068, after providing Rs. 95,000 for taxation, Rs. 22,000 for taxation contingencies reserve, Rs. 60,000 for development rebate reserve and Rs. 1,76,694 for depreciation. Transfers to general reserve and to jute stock reserve take away Rs. 50,000 and Rs. 25,000 respectively, leaving Rs. 2,14,068. A 5½ per cent dividend on preference shares and Rs. 12 per ordinary share absorb Rs. 41,250 and Rs. 1,25,956, leaving Rs. 46,862 to be carried forward.



**THE
HIND
BANK
LTD.**

4, Brabourne Road, Calcutta-1.

FOR COMPLETE BANKING SERVICE

SUBSCRIBED CAPITAL . Rs. 1,00,00,000
PAID-UP CAPITAL . . . Rs. 50,00,000
RESERVE FUND Rs. 26,00,000

Connections in all principal
centres of the world

Chairman General Manager
Mr. K. P. GOENKA Mr. S. D. PARDIWALLA

COMMODITY NEWS AND NOTES

WOOL PRICES

Increase in Bank rate in the UK had its reflections on wool prices in Bombay as woollen mills in the UK are said to be not in a mood to augment their stocks in view of the high cost of financial accommodation. In fact they are even reported to be prepared to reduce their commitments. The result has been adverse to the Indian supplier of raw wool whose prices have declined by about Rs. 2 per lb since the Bank rate was put up. Price-wise, superior white Bikanner has come down by about As. 3 to Rs. 3-12 per lb while superior pale yellow has fallen by about As. 2 to Rs. 3-2 per lb. Joria white is quoted at round Rs. 3-6 against Rs. 3-8 per lb three weeks ago. Bewar White has lost As. 2 at Rs. 3-4 per lb. The quotation in the U.K. has come down by about 4d. and that in the USA by about 3 cents.

WORLD RICE PRODUCTION FOR 1955-56

World rice production in the 1955-56 crop year (August to July) was forecast by the US Department of Agriculture at 270,000 million pounds of rough rice. This represents an increase of 3 per cent over the 261,300 million pounds produced in the preceding year and is 2.5 per cent below the record harvest of 276,000 million pounds in 1953-54. The increase in production is attributed to higher yields per acre in some areas, as well as to some extension of acreages. World rice acreage is reported at 199 million acres, compared with 196 million acres the year before and 202 million acres in 1953-54. The largest crop increases are in Asia, where 88 per cent of the world's rice output will be harvested. Particularly good yields are reported in Japan and Thailand, and the rice crops of Burma, Pakistan and the Philippines exceed those of the last crop year.

WHEAT AND RICE OUTPUT IN INDIA IN 1955-56

An additional yield of 1.6 million tons of rice and at least 700,000 tons of wheat during 1955-56 over the output in 1954-55, are expected this season. The acreage under wheat has increased by 7.8 per cent from 25,685,000 acres in 1954-55 to 27,698,000 acres in 1955-56. The wheat crop is reported to be very good in the principal growing areas, Punjab and Uttar Pradesh. Though the first estimate covers only about 90 per cent of the area under wheat, the Agriculture Ministry expects that wheat output in 1955-56 will rise from 8.5 million tons in the previous year to more than 9.2 million tons. Output of rice is expected to go up from 22,126,000 tons in 1954-55 to 23,775,000 tons this year. The area under the crop has increased from 69,456,000 acres to 72,332,000 acres in the corresponding period.

RECORD ZINC OUTPUT IN 1955

World output of zinc increased by 11 per cent to over 2.6 million long tons according to the British Bureau of Non-Ferrous Metal Statistics. Consumption also rose during the year by nearly 300,000 tons, thus bringing it to within 50,000 tons of the level of production. In recent years world consumption has been considerably lower than production, though some part of the surplus has been drawn off into stock-piles.

The production figure given by the Bureau includes an estimate of 385,000 tons in the USSR, Poland, and other Soviet-controlled countries; production in the rest of the world totalled 2,258,000 tons as against 2,047,000 tons in 1954. Last year saw increased outputs in all countries except Belgium and Australia; over one-third of the total was produced in the US, where after falling considerably in 1954, output rose 12 per cent to 920,000 tons. In Canada, whose output had followed the same trend, there was 36,000 ton increase. West German output rose 10,000 tons to 177,000 and Japanese 11,000

tons to 111,900 tons. Production in the UK, on the other hand, was virtually unchanged at a little over 81,000 tons, whereas the Australian decrease was in the neighbourhood of 4,000 tons to a level of 101,000 tons and in Belgium of 3,000 tons to 207,000 tons.

FIRST ESTIMATE OF POTATOES

According to the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture, the all-India first estimate of potatoes, 1955-56, puts the current year's area at 552,000 acres as against 551,000 acres in the adjusted first estimate of potatoes, 1954-55. Thus, the current year's area shows a nominal increase of 1,000 acres only. The increase in area during the current year has occurred in Bihar, Uttar Pradesh, PEPSU, Himachal Pradesh and Tripura due to favourable weather conditions at the time of sowing. This increase has, however, been offset to a large extent by decreases recorded in Assam, Madhya Pradesh, West Bengal and Hyderabad.

FIRST ESTIMATE OF RABI PULSES

According to the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture, the all-India first estimate of rabi pulses (other than gram and tur), 1955-56, puts the current year's area at 9,263,000 acres as against the adjusted estimate of 9,550,000 acres for 1954-55. Thus the current year's estimate shows a decrease of 287,000 acres or 3 per cent in area last year. The decrease in area during the current year has occurred mainly in Bihar and has been attributed generally to unfavourable weather conditions at the sowing time. This decrease has been offset to some extent by increases recorded in Madhya Pradesh, U.P. and Hyderabad. This estimate covers the period generally up to the end of December, 1955.

The CENTRAL BANK OF INDIA, LTD.

(Established December, 1911).

Head Office:

Mahatma Gandhi Road, Fort, Bombay-1.

Authorised Capital	6,30,00,000
Issued Capital	5,77,50,000
Subscribed Capital	5,76,66,125
Paid-up Capital	3,11,54,250
Reserve Fund & Other Reserves	4,01,81,217
Deposits as at 31-12-1955	1,28,96,40,383

DIRECTORS

Sir Homi Mody, K.B.E. (Chairman).
Cooverji Hormusji Bhabha, Esq. (Vice Chairman).
Dinshaw D. Merer, Esq.
Dharamsey Mulraj Khatau, Esq.
Mannohandas Madhavdas Amersey, Esq.
C. P. Wadia, Esq.
Chimanlal Bapalal Parikh, Esq.
Framroze J. Gazdar, Esq.

Branches and Pay Offices in all important Cities and Towns of India, Pakistan, Burma and in London.

LONDON BRANCH: 159, Fenchurch Street, London, E.C. 3.

NEW YORK AGENTS: The Guaranty Trust Co. of New York, The Chase Manhattan Bank.

Banking business of every description transacted on terms which may be ascertained on application.

N. K. KARANJIA,
GENERAL MANAGER.

Company Meeting

INDIAN MINING ASSOCIATION

Speech by the Chairman, Mr. B. Mitter, at the Annual General Meeting held on March 2, 1956 at the Bengal Chamber of Commerce and Industry.

GENTLEMEN,

The year that has passed since we last met has been primarily concerned in giving concrete shape to the future and the second Five-Year Plan has dominated the affairs of the Coal Industry. I need hardly emphasise how vital it is for the industrial development of the country that the aspirations of the Plan should be matched by actual attainments, nor need I stress how closely its success hinges on the ability of the Coal Industry to meet its new responsibilities.

In the past the Industry has on the whole been able to give the country all the coal it required and if on occasions some consumers have had to go short, the cause was usually to be found either in special circumstances such as prevailed during the last War, or in the limitations of transport.

The task before the Industry today is however greater than it has ever been called upon to face in the past. It is required to make available 60 million tons of coal by 1960 as against the 38 million tons produced last year. The achievement of this target in the short space of five years undoubtedly poses a problem of formidable proportions, but with the concentrated and co-ordinated effort of all who are in a position to help, there is no reason why the goal should not be successfully attained. In coal the pattern of production is one in which collieries worked by private enterprise operate alongside those worked by Government, and, in the context of the immense increase of potential required, there is ample scope for both to develop and to make their respective contributions towards a common cause. For this mixed economy to function effectively it is important to create an atmosphere in which both the sectors can work to maximum effect in close co-operation. They should both have equality of opportunity and both be allowed to operate under similar conditions.

In some quarters there is a tendency to take every opportunity of casting aspersions on the working of collieries under private ownership. No one claims that in an industry which has several hundred individual producing units conditions everywhere are ideal. Similarly I think it would be difficult even for the stoutest champion of State enterprise to establish that the Government collieries are models of perfection. Negative generalizations against the private sector serve little useful purpose, and, at a time when so much depends on the fulfilment of the Coal Plan, the accent must be not on creating divisions but on mobilising all our resources behind one gigantic effort.

To achieve the success we all desire it is important to examine what are the obstacles which stand in the

way and I propose, therefore, within the time available to me, to lay before you what in my view are some of the main problems facing us at present. In mentioning these difficulties however I wish to emphasise that, contrary to what some people are only too ready to assume, there is no desire on our part to be obstructive in any way. On the contrary I believe that only by a frank statement of difficulties will it be possible to devise remedies to overcome them.

To achieve the new momentum in production required by the Plan, it is obvious that vast new development programmes will have to be launched involving large financial outlays. In the private sector we are prepared to marshal our full potential behind these development projects and to finance them very largely from our own resources. However, whilst we are used to accepting normal commercial risks in the course of business, we cannot ignore the fact that, in a mineral industry like coal, it must necessarily take many years before any return on the capital outlay can be expected. We had accordingly hoped that Government would be in a position to give the industry some reasonable security of tenure in the face of frequent mention of the possibility of nationalisation. Government have unfortunately found themselves unable to give any security of tenure but it has been indicated that, if producers in the private sector made plans for increasing their production and laid out money for the purpose, then in the event of nationalisation full compensation, after taking into account depreciation, would be paid for whatever money was laid out with the approval of Government for this additional production. Whilst we welcome the reasons which prompted this indication, it must be emphasised that the formula is too limited in scope and its application in practice is fraught with too many difficulties to enable it to instil any great sense of confidence amongst those who are not only able but eager to undertake large scale capital outlays on development work.

If the formula is examined it will be seen to consist of three main parts, which lay down that compensation would be paid on capital outlay for increasing production, that it would be paid on capital expenditure less depreciation, and, finally, that it would be paid only on expenditure incurred with the approval of Government. As regards the first part, in an extractive industry like coal which works a wasting asset, even the maintenance of existing levels of production requires a steady flow of new investments and it is technically impossible to distinguish between capital outlay for maintaining production and capital outlay for increasing production. The two are very closely linked when incurred in one and the same mine, and even the sinking of new shaft in the same or another

property might be regarded as necessary for maintaining production.

An example may help to illustrate the point. Let us assume, for instance, that a property is being worked through two shafts and that a small area round the shaft bottom has been developed. In order to develop in accordance with approved mining methods the remaining area of the property towards its boundaries, more haulage engines, motors, switches, cables, steel wire ropes, rails and a host of other things would be required. Such additional installations, far from increasing output immediately, may only enable the mine to maintain its output for five, ten or even fifteen years until the depillaring stage is reached, when output will rise sharply. Will the capital outlay on such additional plant and machinery be regarded as necessary to maintain output or to increase output? The outlay is necessary to maintain present production but it is equally necessary to increase future raisings. Examples such as this can be easily multiplied to bear out the fact that no distinction is possible between the two forms of capital investment. Turning to the second part of the formula, it is suggested that compensation would be paid on capital outlay less depreciation. If a company were to invest a crore of rupees on fresh capital development and Government were to decide to acquire the Industry, say in five years time, then taking into account the rates of depreciation applicable in the Coal Industry, the depreciated value of the outlay would be very substantially less than this crore at the end of five years. At the same time, in the course of these five years, the company can hope to earn very little by way of return on its investment. Consequently, the outlook can hardly be construed as being reassuring to those who contemplate making large financial commitments. As regards the approval of Government to items of expenditure, if the necessity of having the initial investment approved by Government were conceded, should the formula imply that an account had to be kept of every single item of plant and machinery installed at each individual colliery, and, further, that this had to be done for an indefinite period, various practical and procedural problems would inevitably arise making the satisfactory maintenance of the records extremely difficult, if not impossible, both from the point of view of Government as well as that of individual producers.

In the absence of any security of tenure, the terms of compensation are naturally of great significance to those who are making ready to make large investments of money in developing the coal resources of the country. Furthermore, the formula suggested, in its present shape, postulates the laying down by Government of certain intricate procedural arrangements in regard to maintenance of records before any new development work can be undertaken. In view of all these considerations I hope Government will find it possible to evolve a more comprehensive formula which will transcend the limitations of the one mentioned. It has been stated by various Government spokesmen from time to time and even during the debate on the Fourth Amendment to the Constitution that the objective of Government was not to deny compensation but only to make it non-judicial. If that is the avowed objective of Government, then the present suggestion militates against the fulfilment of the objective.

In considering the general state of the Coal Industry I cannot recall any occasion over the years where reference has not been made to the inadequacy of transport facilities available for moving coal. Nevertheless, I feel that I must dwell for a while on this old problem which, under the impact of the second Plan, has assumed new dimensions of magnitude and urgency.

After the inevitable strains and dislocations caused by the last World War the Railways have made commendable efforts to restore the position, and to improve upon it, but the situation still remains one in which the capacity available is sadly deficient in relation to requirements. In 1946 the railways had stated that they were confident of attaining within two years a daily loading of 3,600 wagons in the coalfields of Bihar and Bengal. In 1955, however, after a lapse of nine years, the average number of wagons loaded daily in these two areas was only 3,262. Although this figure was a slight improvement on the 1954 figure of 3,205 wagons, it is manifest that the improvement is not keeping pace with the expanding output. When production plans are being designed to raise the output of coal by 22 million tons in five years, the Industry is apprehensive that transport is not being expanded sufficiently to cope with the vastly increased traffic which will be offering. I referred the other day from another platform to the cut in allocations for the Railway Ministry under the second Plan. Since then the General Managers of our Railways have together given voice to what has been described as "a chorus of complaints" emphasising their difficulties arising from shortages of steel, cement and timber. They are reported to have expressed misgivings about the ability of the Railways to adhere to their schedules of work. Planning in their view had become increasingly difficult and so had the possibility of giving any assurances for the future.

If there is any substance in these reports which have appeared in the Press, they naturally give rise to doubts as to whether adequate importance is being attached to the imperative necessity of achieving the closest co-ordination between the production and transport of coal. We are familiar with the results of the lack of such co-ordination in the shape of accumulated stocks at the pitheads and losses caused by spontaneous combustion. The Railway Budget presented last week also indicates that the development plans will be inadequate to cope with the level of coal production envisaged. The success of the Coal Plan cannot be assured unless transport can move the expected volume of traffic and I would urge that even greater efforts must be made for the breaking of this bottleneck.

Apart from directly expanding the capacities of the Railways, one way in which the strain on the railway system can be mitigated would be to make fuller use of coastal shipping for the carriage of coal. From this Association we accordingly welcomed the setting up last year of the Rail-Sea Transport Co-ordination Committee and urged before it our views that coastal freight rates for coal should be readjusted so as to bear a closer relations to rail freight rates. At present the disparity is glaring and this prevents the optimum utilisation of these two forms of transport.

Within a restricted field, the possibility of improving transport was examined in 1955 by a Committee set up to investigate Pilot and Depot Capacities in the West Bengal and Bihar Coalfields. This Committee has made some recommendations but only from the short period aspect of meeting requirements up to the end of 1957. Although it was limited to examining Pilot and Depot Capacities, the Committee felt that existing route and junction limitations would have to be liberalised considerably in order to achieve a lasting solution and it became obvious during its deliberations, that the transport problem could not be considered satisfactorily in small segments. For the movement of coal a more comprehensive policy is required and not merely the stringing together of a number of ad hoc expedients.

Since it appears almost inevitable, however, that for some time to come at least the insufficiency of wagon supplies will continue, steps should be taken to

ensure that such supplies as are available for coal loading are allocated in an equitable manner. It seems to have become the practice for the State collieries to get first priority in such allocations to the detriment of collieries in the private sector. It is some times said that in fact no discrimination is made, the wagons being allotted strictly on the basis of priority of orders. This is, however, merely a form of sophistry for, if every order placed with a State colliery is ipso facto given a high priority, the resultant position is unaltered. If private enterprise is to be given a fair chance of expanding output, distribution of wagons should be made without arbitrarily subordinating the interests of one integral section of the Coal Industry to the dictates of another.

The expansion of production and the development of new collieries will necessitate provision of new sidings and there are indications that the Railways are now not averse to the construction of sidings on Assisted Terms. This is undoubtedly an improvement on their previous policy, followed for some time, of considering only applications on Private Siding Terms. There is a possibility, however, that the rules governing the provisions of Assisted Sidings may be revised with a view to increasing the financial burden on the owners and proportionately easing the burden on the Railways themselves. If the terms are modified in this fashion the effect would be to saddle on the owners most of the onerous provisions of private sidings. Private enterprise has already expressed its eagerness to embark on large financial outlays for the development of collieries and I trust that in respect of sidings no fresh impositions will be made as compared with the Assisted Terms known to the Industry previously.

Turning from availability of transport, the expansion in production contemplated under the second Plan will make it necessary for large scale import of such plant and machinery as are not made in this country at present. Since Government collieries themselves would be interested in such imports, there is need to ensure that collieries in the private sector are not discriminated against in respect of import facilities, and further that, on the procedural side, all unnecessary hold-ups are obviated. In regard to essential requirements produced in India, some co-ordination at a high level is called for to see that the Coal Industry gets its fair share. I would like to stress in this connection that the position of cement supplies is far from satisfactory and is already causing considerable concern to colliery owners. The present allocations are quite insufficient to meet existing demands of the Industry and this raises the doubt as to whether sufficient quantities will be available for capital works required in connection with the Plan.

Some of the largest coal producers in the country, for instance, applied between them for a total of 2,364 tons of cement for period IV of 1955, against which actual allocations issued by the Cement Adviser amounted to only 423 tons. This insignificant figure included 178 tons of the more expensive sea-borne supplies from South India. Even though the collieries concerned agreed to accept their full balance requirements in cement imported from South India costing over Rs. 50 per ton more than cement produced in Eastern India, the shortfalls were not made good. The example I have cited applies to a very large number of privately run collieries and perhaps I may be permitted to enquire whether the State collieries are in a similar position both as regards the proportionate allocation against demands as well as allocation of cheaper cement from factories located nearer the coalfields.

The mention of the cost of cement brings me to the wider issue of production costs and prices. To shoulder effectively its onerous responsibilities, the Coal Indus-

try must be placed in a position where it can secure an adequate selling price for its output. I think most of you are already aware that today's controlled prices are based on production costs of eight years ago and that over these eight years costs have moved steadily upwards, thus narrowing considerably the margin left to the Industry. This process is still continuing.

Under the Coal Mines (Temporary) Regulations introduced last year, for instance, additional precautions are required to be taken in regard to open cast workings and there are new stipulations governing the use of winding ropes, the construction of precautionary fire dams and the installation of electric lighting underground. The new Mines Rules (1955) require, amongst other things, additional provisions for First Aid personnel and equipment, ambulance rooms, shelters and canteens. They also provide for employment of a much larger number of Welfare Officers who are required to have certain specified qualifications and to be of a certain status. The draft Electricity Rules, gazetted in 1954, lay down many stipulations regarding earth leakage protection gear, flameproof gear, and switchgear at sub-circuits. They restrict the length of trailing cables, thus necessitating more gate-end boxes. Furthermore, they require that all cables in certain areas are to be double-wire armoured.

All reasonable measures necessary to ensure the better working of mines, whether in State sector or in the private sector, have our full support. It must be realised, however, that to implement all these new rules and regulations costs money. In so far as these provisions are progressive they are welcome, but the dynamics of progress cannot be contained indefinitely within the strait-jacket of an inflexible price structure.

It is appreciated that coal being a basic commodity, the level of its selling prices has a bearing on costs in other industries; but these considerations apply equally to important commodities like steel and cement. Whilst this aspect should no doubt be borne in mind, I am sure you will all agree that no single industry should be made to subsidise others if its own economics justify an increase in selling prices. Nor can such an increase be denied on the ground that when production goes up in future, and when transport is available to move this increased production, costs would tend to go down. Consideration of this vital problem should not be allowed to languish in vague generalities of this nature. What is needed now is to make today's controlled selling prices reflect today's costs, and if the Industry's costs go down in future, there is no reason why future prices should be impervious to such changes. I would suggest that Government should no longer delay a comprehensive review of coal prices and that the results of this review should be made known at the earliest opportunity.

Labour costs, as you are aware, constitute the most important single element in the cost of producing coal, and the wage structure of the industry is being reviewed at present by the All-India Industrial Tribunal. The issues before the Tribunal are of great consequence and its findings, which are expected shortly, will no doubt have an important bearing on the future of the Coal Industry.

You have heard in the past references to the question of stowing and the quantum of assistance received for it. There has been no change in the position in the last year and the subsidy continues to be grossly inadequate. The rules governing the grant of assistance are in a large measure illogical, with the result that they give rise to various anomalies. For instance, owing to the peculiar rules governing depreciation, capital investment on mechanisation is penalised as compared

with inefficient installations worked manually. Again under the present rules a colliery situated on a river bank receives the same limit of assistance as a colliery situated many miles away from the source of sand supply. These and many other cases have been the subject of discussion for some considerable time but measures are still awaited to rectify the position. Nor is any solution yet available to the complaint that payment of stowing subsidies continues to be six months or so in arrears. There is need for urgent action in this matter as the present practice is a source of considerable hardship to those collieries which stow and, in so doing, implement one of the best known methods of promoting safety as well as of conserving coal.

Very close to the subject of stowing is that of washing and for some time now the question of arranging supplies of washed coal for the Steel Works has been before the Government and the Industry. I trust that before long we shall have a clear picture both as to the location of washeries and as to the price to be paid for washed coal.

Gentlemen, the years that lie ahead hold a great opportunity for the Coal Industry to make a significant contribution to the industrial growth of the country. The very magnitude of the expansion envisaged poses a challenge, however, and there are many problems to be tackled. To overcome them we must all strive to our utmost and must all pull together. If the authority and power of Government is linked in a joint endeavour with the resources and potentialities of private enterprise, I am sure we shall be able to face with confidence the challenge of this new opportunity.

I would like to conclude, gentlemen, by thanking your Vice-Chairman and the outgoing Committee for the help and support they have given me during the last twelve months. My appreciation also goes to our Secretariat, both here and in the coalfields, for the work they have put in, and, finally, I wish to thank your technical adviser, Mr. L. J. Barraclough, and all the others whose untiring efforts have proved so valuable to me during the past year.

Shree Krishna Gyanoday Sugar Limited

NOTICE is hereby given that the Twentyfirst Annual General Meeting of the Shareholders of the Company will be held on Thursday, the 29th March, 1956, at 11-30 A.M. at the Registered Office of the Company at Dalmianagar (Bihar) to adopt the Directors' Report and Audited Statement of Accounts for the year ended 31st July, 1955, to declare dividends free of Tax at Rs. 6/- per share on 'A' class Preference Shares, Rs. 5/- per share on 'B' class Preference Shares and final dividend of Annas - 12/- per share making a total of Rs. 1-12/- per share on Ordinary Shares (existing on the 31st July, 1955) for the year ended July 1955, to elect a Director in place of the one retiring, to appoint Auditors for the current year and fix their remuneration and to transact any other business that under the Articles of Association of the Company may be transacted at an Annual General Meeting.

The Share Transfer Books of the Company will be closed from the 23rd March, 1956 to 29th March, 1956 both days inclusive.

By Order of the Board,

SAHU JAIN LTD.

Managing Agents.

CALCUTTA,

22nd February, 1956.

Payment of any dividend declared will be made only to those members whose names are registered in the books of the Company on the 29th March, 1956 or to their mandatees.

Federation of Indian Chambers of Commerce and Industry

Presidential Address of Shri Shantilal Mangaldas at the Twenty-ninth Annual Session held on Sunday, the 4th March, 1956, at New Delhi.

Respected Prime Minister, Your Excellencies & Friends,

I have great pleasure in welcoming you all to the 29th Annual Session of the Federation. The occasion is significant. We are at the end of the first Five-Year Plan and on the threshold of the second one. The first Budget of the next Five-Year Plan has been just presented. The All-India Congress, the premier political organisation in the country, has further crystallised its socio-economic policies. For the business community all these have special importance. I therefore deem it a great privilege to have you, Sir, in our midst to guide us in our deliberations...

In exactly four weeks from today the country would be launching on the second Five-Year Plan. Its Draft Outline is before the public and we are, as it were, at the cross-roads in the field of national planning. It is therefore appropriate if I try to make an assessment of the country's achievement during the period of the first Plan and the part played by the business community in it. There is no denying the fact that today our economy is on a much sounder footing than it was when the first Plan was launched. For one thing, agriculture which constitutes by far the most important occupation has taken significant steps during the first Plan period... In terms of investment also the progress of industry during the first Five-Year Plan is according to schedule. Broadly speaking, the investments envisaged in the private sector at the time of drafting the Plan have all been completed with very few exceptions which were due to factors outside the control of industry...

There is no denying that the impulse for most of this development in the private sector, and I use the term here in its wider sense, has come from the dynamic outlook envisaged in the first Five-Year Plan, the investments that have taken place in the public sector, the fruition of a large number of river valley and irrigation projects, etc. Nonetheless, the fact remains that the private sector has played its part and has established its bonafides as being capable of delivering the goods in the fields allotted to it, given of course a suitable climate. I should like therefore to examine the Draft Outline from this particular viewpoint, namely, as to whether the broad policies underlying it have been framed in the background of the experience of the working of the first Plan. I would straightaway say that there are certain features of the new Plan that give us satisfaction. The clear emphasis on rapid industrialisation, the importance of basic industries as also the developmental targets envisaged for different industries, the recognition that the unemployment problem has to be tackled in a realistic manner, are all in keeping with the approach which we in the Federation had outlined in our Draft Note on the second Five-Year Plan. And we welcome them. There are however certain aspects of the Plan which cannot but cause a certain sense of disquiet in the business community and I will be failing in my duty on this occasion if I do not refer to them. I am sure, Sir, that you would like me to put before you and this distinguished gathering our doubts and apprehensions. I would be fair neither to myself nor to the business community of the country whom I have the honour of representing

if I do not mention that in our opinion the experience of the functioning of the private sector in the first Five-Year Plan has not been given as much importance in the formulation of the second Plan as it ought to have been given.

As is well known, the private sector was expected during the Plan period to invest Rs. 383 crores on modernisation, expansion and establishment of new industries. According to the latest estimates, about Rs. 340 crores would have been invested out of this allocation. This small shortfall is due to varied reasons. For instance, in some cases the negotiations with Government took longer than was expected or certain basic requirements, such as power could not become available according to schedule. Further, the targets for the private sector envisaged in the first Plan were essentially tentative in character and were based on collation of modernisation and expansion schemes which in 1950-51 various units were contemplating. The estimates of investment were in many cases based upon the then prevailing prices. Eventually, however, investment requirements, both of fixed capital and even to a greater extent of working capital, were less. The shortfall in the private sector is therefore more apparent than real. There is also another aspect of the matter. Besides the development programmes for the 41 industries envisaged in the first Plan, there have been major developments in certain other lines of production—major not only in the sense that they are new or substantial in terms of investment but also in the sense that they are basic to the development of an industrial economy. For instance, the establishment of steel tube mills, the development of dyestuffs, manufacture of important components in the automobile industry, to name only a few, are developments not envisaged in detail in the Plan, but that does not make them any the less important. I think it will be agreed that the performance of the private sector in the field of manufacturing industry during the last five years is on the whole satisfactory.

It is in this context that allocations in the second Plan in the field of industry need to be viewed. As against the allocation of Rs. 149 crores for large-scale industries, scientific research and minerals for the public sector in the first Plan, the allocation proposed for the second Plan is Rs. 691 crores. According to the most recent estimate, it would appear that out of the provision of Rs. 149 crores, something of the order of Rs. 75 crores would actually have been utilised during the first Plan. On the other hand, the allocation for private organised industry and mining is placed at around Rs. 500 crores apart from another Rs. 100 crores for plantations, private transport and electricity undertakings. Incidentally, according to the Draft Outline, this latter figure is no more than a guess. In other words, the investment in private industry is to be stepped up from Rs. 340 crores to about Rs. 500 crores. Whereas the increase in the private sector is to be of the order of about 40 per cent of the actual investment undertaken during the past five years, the allocation in the public sector is more than nine times the actual level of expenditure during the first Plan. I do not for a moment want to suggest that the rate of investment in industry in the public sector is not capable of

FLY NOW



Beat the summer rush & be sure to...

Fly the Finest... **FLY TWA**
TRANS WORLD AIRLINES
ASIA • AFRICA • EUROPE U.S.A.

being increased beyond the level attained in the first Plan. Nor do I want to ignore the fact that a substantial proportion of the investment is to be on the three new iron and steel plants. But even if these two factors are allowed for, I cannot but have a feeling that the desire to extend the public sector in the field of industry by reserving certain lines of activity to itself might have the result of slowing the pace of development.

I would therefore like to suggest that an element of flexibility should be introduced as between the schemes of development in the public and private sectors so as to make it possible for one to supplement the other. I realise that it is part of a major policy decision that the State must control and regulate the entire economic activity for planned development and enlarge the field of its ownership and running of certain basic industries essential to the community. Even if we may not be able to see eye to eye with this policy, I believe that it is possible to obtain the same objectives through the type of regulation and control which obtains at present and by Government taking control of strategic heights of the economy. In a modern State with the vast power that it has, it is not necessary for Government to own and run in the physical sense businesses excepting those which the people generally are not in a position to undertake or which are essential to be so owned and run by Government for certain overriding considerations.

It is in this light I should have thought that Government would decide their policy in regard to the nationalisation of life insurance. In point of fact insurance business in India has been under governmental control and supervision which extended to the direction of investments, the proportion thereof, distribution of surplus, etc. The investment pattern of the life insurance companies would show that more than half of the total resources of these companies have been available to the Central, State and Local Governments. Under the statutory restrictions, a substantial portion of the funds of insurance companies were compulsorily invested in Government and semi-Government securities. Thus insurance companies in India have all along been mobilising the savings of the community and promoting, as it were, capital formation for the Government sector. If at all, the feeling was that insurance companies were not providing finance to the extent expected of them to help the private sector of the economy. It has come therefore as a great surprise that Government decided to nationalise life insurance on the ground that it was essential for the implementation of the Plan. Incidentally I may refer to the earlier statements of the Union Finance Minister that the proportion of life funds not already required to be invested in Government and other approved securities was small and that the difference which would be made by nationalisation to the total resources was "not likely to be large". I cannot believe that the alleged malpractices in the business which, even if accepted as true, add up to only an insignificant proportion of the total funds, weighed with Government as the deciding factor to nationalise insurance. Malpractices, if any, should not be countenanced and the Federation is the first to join its resources with Government to eradicate them. We cannot, however, in all conscience, agree that the only remedy to every ill is nationalisation. Would not the exercise of control and supervision with greater diligence by Government have solved the problem? Even if Government decided to nationalise in a manner almost sensational, suddenly and unexpectedly through an Ordinance, is it necessary to run the insurance business through one single agency as proposed now? The Federation recommended, when faced with the fait accompli of nationalisation, that the business should be run through half a dozen Corporations or

so, the idea behind it being that these Corporations would compete with each other and expand insurance business. Today and for many more years to come, life insurance in our country will continue to be a highly personalised business and will not lose its persuasive character. For exploiting new fields and for expanding the business, competition is essential. And the requisite competition cannot be had except through the operation of a few Corporations which will compete with each other in respect of providing service to the policy holders. I would still request Government to reconsider the matter.

In this connection I may refer to another proposal which is said to be engaging the attention of Government, namely, the setting up of a State Trading Corporation. This idea was first mooted during the war and has come to be discussed off and on ever since, though the background against which it is projected has been continuously shifting. More recently it has come to be linked up with the issue of effecting institutional changes in the direction of greater economic and social equality. Further, arguments such as augmenting the resources of the State and facilitating trade in specific commodities with Communist countries have been advanced. The Federation had recently submitted a detailed memorandum to Government discussing these points. I will content myself by underlining the view of the Taxation Enquiry Commission that "no spectacular results, purely from the point of view of revenue, may be expected from State Trading". Experience in India and foreign countries has shown that State Trading as has taken place either in foreign trade or domestic trade is both wasteful and costly. It cannot be otherwise because no single agency despite its monopolistic position—perhaps because of it—can deal satisfactorily with the multiple and unpredictable market trends. Consequently, miscalculations and losses will not be borne by the monopoly corporation of the State, but will be passed on to the consumer and tax-payer. In the field of industry and trade, competition—not monopoly—is the surest and best means to safeguard the interest of the consumers and the general socio-economic objectives as well.

The central problem, as I see it, is to bring every section of the community into the competition of life on a footing of equality of opportunity. In essence the problem which society and Government have to face is how to secure to the fullest degree certain conditions of equality while at the same time retaining the essential incentives necessary for the maintenance and increase of social efficiency. And I think that a time has come when it is by this standard of social efficiency that all the policies that are being suggested currently have to be tested.

I have already discussed the policy of the extension of public sector. Let me take up the other idea which is now popular, namely, decentralisation of economic power by placing ceilings on income and holdings and by revival of cottage industries. I should like to make it absolutely clear that the business community is as anxious as any one else for an improvement in the standard of living of the people. Such inequality as exists is a phenomenon of under-developed economies. As the country develops economically—and only when it develops—inequalities will be reduced. Otherwise, an effort to bring about equality when a country is poor is in effect to distribute poverty and not prosperity.

The suggestions in respect of placing ceilings on incomes and generally encouraging hand industries are not backed, as far as I can see, by economic considerations. I am not suggesting that economic considerations should over-ride social values. But my point is that

the social values which we want to promote cannot be obtained by decree. For instance, it is alleged that modern industry in India is in the nature of monopoly capitalism. It is not quite clear at any rate to me what is there in Indian industry that has merited the charge of monopoly capitalism. Is it suggested that the major industries in this country like textiles, sugar, etc., are closed shops and that there is no competition between the hundreds of units which constitute these industries and compete with each other? In fact the possibility of a monopolistic tendency will arise should the State decide to put a restriction on new entrants and a ban on further expansion. The very fact that it is the representatives of organised industry who have been sounding a note of warning against restricting factory type production or banning expansion of existing units or establishment of new ones is proof positive that they do not want to enjoy a monopoly position.

Take again the question of small-scale and hand industries. Let me straight away concede that in a country like India labour intensive methods may have to be adopted to provide opportunities of employment for the large numbers who are unemployed or under-employed. This does not mean that we should depend only on labour intensive methods or, as it has come to be maintained, that at the one end there should be modern machine-making industries and at the other cottage industries for producing consumer goods. In other words, factory production of consumer goods is to be discouraged. This policy would be self-defeating. A point which is made much of in support of cottage industries is that its employment potentialities are greater than that of factory industries. And although I cannot go as far as to say that employment could be an end in itself, it goes without saying that in the existing state of affairs in our country, the creation of employment opportunities is one of the most important problems. From that point of view it is easy to appreciate the approach of the Planning Commission of placing greater reliance during the next Five-Year Plan on labour intensive methods. What is, however, not so easy to understand is the growing emphasis on outmoded means of production because if that alone was the solution of the unemployment problem it would follow that the more primitive the society the better off it would be because in such a community the techniques are crude and inefficient, and therefore for a given volume of goods and services the manpower required will be much greater. Yet all through history the trend has been towards improved techniques, and greater use of capital to assist human effort. The history of technological progress is most significantly the history of the creation of new resources, new industries, new employments and new facilities for living. Of course, at the present stage of our development there are limits set by scarcity of capital to the possibilities of improving techniques and of using more capital all round. It is no doubt necessary to utilise our limited capital resources wisely and effectively and to that extent an emphasis on labour intensive methods wherever they are economically feasible is only right and proper. But what I find disconcerting is the curious tendency in some of the present discussions to hark back to the past in respect of hand industries and to look to the future as regards large-scale industry. It is necessary in this as in other spheres to retain a sense of perspective. The kind of small-scale industries that we ought to encourage are not the ones which occupied a position of pre-eminence in the past but industries which can be economically run on a small scale and which have an integral part to play in a developing industrial society. It is not often realised that even in the most highly developed industrial structure there is enormous scope for efficient small units which use power and modern equipment. In this country also there is a great deal of scope for all kinds of new industries to be started on a decentralised basis. The

development of small-scale industries is a great and challenging task and though we have made a small beginning in that direction by the establishment of the Small-scale Industries Corporation, I feel that much more attention needs to be paid to this rather than what are essentially the declining trades.

The question of developing small-scale and hand industries and placing restrictions on organised industries has also to be considered in the context of our large foreign exchange requirements. Even according to the Draft Outline of the second Five-Year Plan, on a preliminary view of requirements and likely earnings, it would appear that the balance of payments on current account would show a total deficit of Rs. 1,100 crores over the Plan period. In estimating the earnings, the Draft Plan, for instance, has assumed that exports of cotton textiles will increase progressively from some 814 million yards in 1954-55 to 1100 to 1200 million yards in 1960-61. Here again, there is another assumption that although mill production will not be substantially stepped up, additional supplies will come from the handloom industry. Indeed this large assumption is based on the hope that it would be possible to organise handloom production on the requisite scale. In case the organisational effort required fails, then we will be faced with problems of a serious nature not only in respect of foreign exchange earnings, but also in regard to the effects on the internal price structure. The organised textile industry is a good foreign exchange earner. If a ceiling is put on its progress, we will not only be unable to increase our exports but the internal prices of both mill and handloom goods will also go up. At a time when we are thinking in terms of deficit financing to the extent of Rs. 1,200 crores, the price situation has to be carefully watched. In an under-developed economy like ours, deficit financing has to be relied upon. Moreover, the under-developed state of our economy itself makes it easier to avoid the hazards and dangers of deficit financing in that the inflationary trends can easily be checked with some pre-natal care and by providing adequate supplies of basic essentials, such as food and clothing which constitute more than 70 per cent of the consumption outlay of the masses. But a regular and increasing flow of consumer goods becomes imperative during the Plan period when a substantial proportion of the development outlay will be on industries which have a longer period of gestation.

The taxation policy of Government will have to be geared to the needs of development both in public and private sectors and the maintenance of a reasonable level of prices. If capital formation is to be sustained and dynamic, it must take place by way of personal and corporate savings. Therefore, tax policy should not act as unduly disincentive either to work, save and invest or to consume. Judged in this light, some of the tax proposals of the Finance Minister for the 1956-57 Budget require modification. For instance, his proposal to levy extra burdens on companies by way of withdrawing the rebate of one anna of income-tax at present given to non-Section 23A companies in respect of undistributed profits, the impositions of a super-tax at graduated rates on dividend distributions exceeding 6 per cent and 10 per cent of the paid-up capital, as also a tax of two annas on bonus issues, will discourage the flow of funds to the corporate sector. It is only recently that the Indian public has been slowly getting used to investment in companies. A tax policy that unduly discourages distribution of dividends will prevent the growth of a healthy capital market and adversely affect the psychology of the investor. It will not only affect the flow of venture capital but also the pace of industrialisation.

Before I conclude, I appeal to you, Sir, and to your Government to make use of the experience and talent of the people for building up a more prosperous India.

In the great task that is ahead of our country, the Federation and its constituents will do all that lies in their power. What all we ask is that we be given a reasonable opportunity and a fair deal. You yourself, Sir, were good enough to say recently that the reaction of Indian industrialists as a whole has been rather good and that it would be made use of. You proceeded to state: "It creates an atmosphere of co-operation for going ahead. We can get the benefit of experience, ability, etc. of many people." May your wise counsel guide the policies of your Government and the Legislature! Let the business community be given a chance to make its contribution to the common interest in greater production and a better life for all to share!

It is here that I should like to say a word to my comrades and fellow workers in the business field. We at the present time are entering on an era in which we are about to witness many more changes. It would be a great mistake to consider all changes bad or all changes good. Change is the essence of life. Its outward indications might appear, at first sight, puzzling and conflicting in the extreme and it is not until they are grouped and compared that they are seen to belong to one wide and general movement. We must seek to understand the principles governing the evolution of society. The fuller light in which we can view the great problems can be had by us by strengthening organisations like the Federation. I am sure that my business friends will assist the Federation with their funds and advice so that it can in turn help, classify, assess and estimate the various developments on the economic and social fronts. Then the business community which is pre-eminent in the matter of adapting itself to new ideas and new institutions will find it easier still to understand better the various currents and cross-currents.

Thanking you.

RECORDS & STATISTICS (QUARTERLY BULLETIN)

Editor: R. V. MURTHY, M.A.

"The Eastern Economist" Bulletin of Records and Statistics surveys economic trends in each quarter in India and abroad with the aid of graphs and all available statistics. One of its special features is the Investment Supplement.

Annual subscription Rs. 12

For subscribers to "The Eastern Economist" " 10

Single copy " 3

Copies can be had from all important Booksellers and Railway bookstalls of Messrs. A.H. Wheeler & Company

For details write to:

THE EASTERN ECONOMIST

NEW DELHI: 52, Queensway.

BOMBAY: Kermani Bldg., Sir P.M. Road, Fort.

CALCUTTA: 28 & 29, Royal Exchange Place Extn.

LONDON: 3, Salisbury Court, Fleet Street.

NEW YORK: 25, Broadway.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

		Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
		Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48	..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49	..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50	..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51	..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52	..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53	..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54	..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.6
1954-55	..	339.8	436.2	350.3	377.3	612.4	377.4	90.5	100.7	88.4	112.0
May 1955	..	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9
June ..	..	281.8*	390.4	329.7*	370.0	567.4*	342.5*	90.8	100.6	87.5	113.2
July ..	..	309.7*	408.1*	329.6	370.9*	562.6*	355.0*	90.9	100.7	87.8	117.9
August ..	..	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.8	122.8
September ..	..	313.0	396.1	324.8*	368.8	556.3	353.2	90.9	100.7	87.2	122.8
October ..	..	315.7	403.7*	329.8	371.2	559.3	357.2*	91.0	100.7	87.2	124.5
November ..	..	316.5	418.9*	338.1	373.3	543.3*	365.0*	91.0	101.0	87.7	129.9
December ..	..	323.7*	438.3	346.6	373.0	544.2	368.4	91.0	101.0	87.7	130.6
January 1956	..	333.4*	454.2*	353.5*	375.2	540.0*	376.1*	91.0	101.0	87.3	125.7
February ..	..	335.3	461.0	355.8	375.4	529.1	378.3	91.3	101.1	86.7	121.0
Week Ending 28-1-1956	..	334.0*	456.1*	347.6	374.9	537.1*	375.3	91.1	101.1	87.1	123.6
4-2-1956	..	331.1	468.4	349.3	375.4	531.5	376.3	91.2	101.1	87.0	121.9
11-2-1956	..	328.8	464.9	355.7	375.6	528.8	376.1	91.3	101.1	87.0	121.4
18-2-1956	..	338.3	460.2	355.5	375.5	528.5	378.7	91.3	101.2	86.8	120.5
25-2-1956	..	343.0	462.4	357.2	375.3	527.4	380.9	91.3	101.0	85.9	120.1

* Average of weeks.

* Revised

† Economic Adviser's Series.

†† Reserve Bank Series.

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS (August 1939=100)

Period	Bombay		Delhi		Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100	Ahmedabad July 1927 = 100	Delhi†	Calcutta†	Kanpur	Nagpur	Jubbulpur†	Madras June 1936 = 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1940	288	303	243	132	339	471	372	146	309	168	136	134
1941	292	307	248	132	348	478	377	151	323	164	138	136
1942	298	313	257	132	349	434	372	153	325	165	145	136
1943	314	330	261	142	370	451	391	168	334	167	160	144
1944	321	337	250	143	351	441	380	150	330	151	154	141
1945	346	363	275	140	349	453	387	151	351	147	156	145
1946	342	359	244	138	327	408	373	139	341	148	140	138
1947	322	338	218	130	..	..	..	..	321	..	..	..
1948 April	324	340	205	126	311	352	353	130	314	129	129	128
May	320	336	204	122	315	335	351	128	307	131	129	127
June	317	333	211	123	317	347	359	131	311	131	129	130
July	324	340	224	129	325	371	364	136	316	134	134	132
August	325	341	229	134	329	375	367	137	318	136	138	134
September	317	333	224	133	327	373	367	133	322	138	137	132
October	315	331	225	134	334	385	369	—	323	—	—	—
November	314	330	229	136	339	392	369	—	327	—	—	—
December	312	332	230	140	329	393	375	—	334	—	—	—
1949 January	—	—	—	139	—	404	—	—	334	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	3-3-1956			25-2-1956			18-2-1956			11-2-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	102- 7	99- 8	101- 0	100- 0	99- 0	99- 9	98- 4	96-11	97-11	97- 5	95- 4	96- 5
Silver (per 100 fine tolas)	176-15	172- 2	175- 3	175- 8	174- 7	174-13	173-12	173-10	174-10	176- 5	172-13	174- 5

Printed and Published by Devi Prasad Sharma at the Hindustan Times Press, for "The Eastern Economist" Ltd., 32, Queensway, New Delhi. Editor—E. P. W. da Costa, M.A. (Oxon.)

THE RAMAYANA OF TULSIDAS IN ENGLISH VERSE

LATEST "HINDUSTAN TIMES" PUBLICATION

The famous Hindi epic regarded by many as "the greatest book in all devotional literature" is for the first time now available in English verse.

The translator, the Rev. A. G. Atkins, completed the book after ten years of devoted work. He has tried "to keep and express in English in the fine rhythm and music of the original in simple lucid language, and with as much of the vivacity, wittiness and picturesqueness that Tulsidas has put into his work." He has also followed in some measure Tulsidas's metrical variations such as *chhand*, *chaupai*, *doha* and *soratha*.

In a foreword Mr C. Rajagopalachari says: "Mr Atkins' monumental work and his Introduction are a revelation of hope for those who desire to see all the great religions of mankind come together. His service is not only to English-speaking people but also to that very large number of Hindus in India who do not speak the Hindi language and to whom English has become a very familiar medium."

The book is of special value to libraries, scholars and devotees of Tulsidas.

It has been issued in the following four editions:

- Original text of Tulsidas with translation in English verse; three volumes; 1468 pages; price Rs. 50 net.
- Translation in English verse; without Hindi text, two volume; 898 pages; price Rs. 40 net.
- Special tissue paper edition of I, one volume, price Rs. 100 net.
- Special tissue paper edition of II, one volume, price Rs. 100 net.

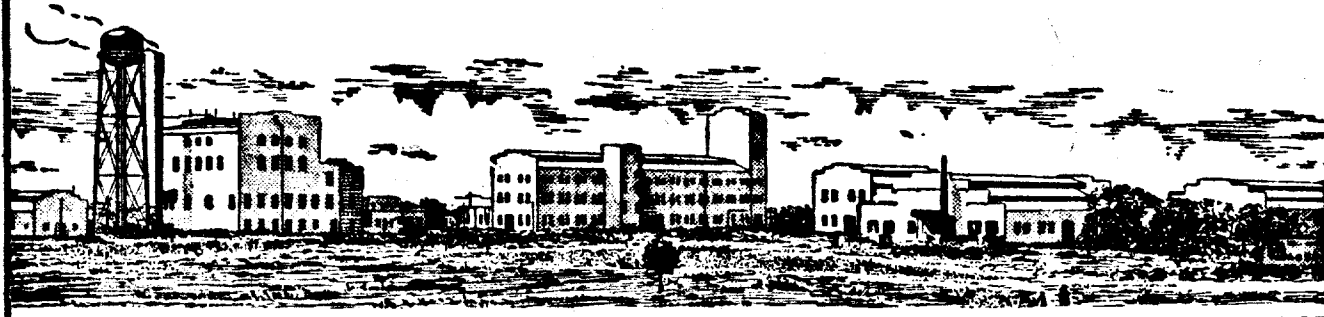
POSTAGE EXTRA

The Manager,

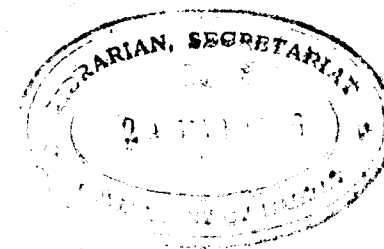
THE HINDUSTAN TIMES,
NEW DELHI.

ATUL

DYES CHEMICALS PHARMACEUTICALS



THE ATUL PRODUCTS LIMITED
ATUL, via BULSAR, Western Railway



The

Eastern Economist

VOL. XXVI. NO. 11.

NEW DELHI: MARCH 16, 1956.

ONE RUPEE.

CONTENTS

	Page		Page
<i>Leading Articles:</i>		<i>Special Articles:</i>	
THE FREE WORLD IN DELHI	429	REVENUE SURPLUSES AND THE PLAN	447
LESSONS OF THE LENINIST REVIVAL	431	RAILWAY TRANSPORT CAPACITY	443
THE AKALI DAL—GESTURE AND RESPONSE	432		
THE WEEK'S NOTES	435	<i>The Business World:</i>	
T.-C. Regains Instability; Target Date for Prohibition Off; West Germany's Increasing Role; From Bad to Worse in Cyprus; Stalemate in Viet-Nam.		Lok Sabha Must be Watch-Dog of Tax-payers' Money	450
		The Bullion Problem	450
A WINDOW ON THE WORLD:		BUSINESS NOTES	453
Odysseus on "Money in a Welfare State: A Case History"	439	Groundnut Futures Reopen; Industrial Credit Investment Corporation; The Bank of India; Durgapuri Steel Project; Coal Washery at Kargali/Bokaro; Manufacture of Steel Tubes.	
ECONOMIC REPORT FROM THE U.S.:		COMMODITY NEWS AND NOTES	457
Another Boom Year in the Offing	441	COMPANY AFFAIRS	458
WORLDGRAM AND NEWS IN BRIEF	443	STATISTICS	469

The Free World in Delhi

THREE Foreign Secretaries of the Free World were in Delhi last week. They did not speak the same language. Indeed, as far as one can determine, M. Pineau's philosophy was more akin to that of a neutral (or is it neutralised?) India than to the current language of the Free World. Not, indeed, that even that language was consistent

in itself. Having spoken deprecatingly of military pacts, one might have hoped that the French Foreign Minister would have a dramatic announcement to make on the bitter experiences of France as a member of NATO, and that he would have preached the need for a revision of these commitments. But he insisted—contrary to France's

reputation for extreme logic—on riding both horses at once. In the end his visit was even less effective than that of Mr. Selwyn Lloyd, who completely blotted his copy-book by asserting in Delhi that Kashmir would not be discussed in the SEADO meeting and then promptly agreed in Karachi to discuss it when Pakistan insisted.

Curious as this may sound, the only Foreign Secretary who has emerged with an enhanced reputation after his Indian visit is Mr. John Foster Dulles. This is the more remarkable because, contrary to some unreasonable expectations, no accommodating statement on Goa materialised. There was, however, no mistake made in a Press Conference lasting over an hour and much that the United States Foreign Secretary said on Kashmir and Goa was free not only from criticism but even from disappointment. He said in effect that the traditional policy of the United States to bring on independence of subject peoples had not lost its application in the Goa case. Only the time and means of each act of intervention depended on circumstances, and Goa did not call for a positive United States role. On Kashmir, again, the point that there was no new line of American policy in the SEADO meeting was well expounded. These might be described as the negative achievements of Mr. Dulles' Press Conference. Without doubt, there is something far more positive to record. This was his categorical reply to the question what line the United States would take if Pakistan attacked India in Kashmir or elsewhere. The United States Secretary of State made it quite clear that under these circumstances "existing arrangements" with Pakistan would cease and, under the United Nations Charter, the United States would come to the defence of India. This in that announcement—never previously set out categorically in these terms—is one which has not yet been completely absorbed by Indian public opinion. There is no doubt, however, that it has done more than any single pronouncement in recent months to place Indo-American relations in a more favourable light.

If Mr. Dulles' statement could be interpreted to mean that India has a specific ally in the United States against Pakistan in the event of aggression, it would eliminate the major source of difference between our two countries. The central factor making for deterioration in Indo-U.S. relations is military aid to Pakistan. It has been argued that, politically, this was designed to bring pressure on India and, therefore, attracted Communist interest. Economically, since it made necessary higher defence expenditure in the Indian Union, it was an additional burden both on our foreign exchange, as well as our domestic resources required urgently for the second Five-Year Plan. If, indeed, it is a fact that American resources will be available in unlimited quantities to meet a possible attack from Pakistan, there would be every reason for satisfaction.

Why is it that, with this statement in black and white, there are so many intelligent people in India who consider that precautions should not be diminished in any way? The answer surely is to be found in the psychological distrust of many of Mr. Dulles' previous pronouncements. There is also—not that this is widely entertained or understood—the belief that there may be difficulty in prompt action by the Security Council in declaring Pakistan an aggressor; United States

assistance may wait upon such a resolution which, in view of current military alliances, might conceivably be jockeyed back and forth before a resolution is finally passed. There is also the question of a factual report. If the offensive is taken in Kashmir, the existence of United Nations military observers could help. But so far as other border disputes are concerned, there is now no machinery for prompt inspection. There certainly is room for some additional machinery to be instituted in areas other than Kashmir. Perhaps if this were done, Indian opinion would tend to be more assured than it is at present that the United States means to act prompt on the assurance that the Secretary of State has given us this week.

The fact remains that Indian opinion is at the present time deeply disturbed, and even somewhat illogically disturbed, about the Free World's attitude to India. There are far too many intelligent people in India who still consider that the logical ending of a long period of military pressure by the Free World in an area surrounding the Indian Union might lead to a pressure on the Government to accept arms from the other side. There are some who, even more imaginatively, think of USSR's direct intervention. They forget that for one thing, there is no evidence that it is possible for the USSR to intervene on Indian territory in a manner effective enough to ward off an attack by Pakistan supported by the Free World. An ineffective ally is only a liability; on the other hand the Free World can be an effective friend. Those who distrust the Free World are unfamiliar with the extent to which Free World interests are bound up with the integrity of India. Once this point is recognised that a Communist military alliance with India will not provide national security against the Free World, and that the Free World has an abiding interest in India which she can never sacrifice for Pakistan, romantic movements of Communist troops or supplies of arms fit into the realm of fantasy to which they undoubtedly belong.

While, there is really no need for alarms and excursions which some misguided people in India seem bent on raising, there is certainly need for recognising that Indian public opinion at the present time is in a state of animated suspense because of the additional military resources which are being placed in the hands of Pakistan via SEADO and the Baghdad Pact. The *Eastern Economist* has recently had occasion in several issues to draw attention to this state of mind as a solid political fact of which the Free World must, in its own interest, take far deeper notice. There is no need at this time why Indian public opinion should not be assured on the point that, corresponding to any additional military aid which Pakistan receives, India will receive economic assistance by aid, or by loan, enough to offset her additional military expenditure and any additional commitments of foreign exchange. Until the conviction is created that the Free World really means business in holding the line between India and Pakistan, it is certain that suspicion of the Free World will continue to exist. Three Foreign Secretaries have come and gone. Nothing will have been achieved by their visits unless the friendliness they have tried to communicate by words finds some expression in deeds in the one area where misunderstanding and distrust have, in recent months, been allowed foolishly to grow.

Lessons of the Leninist Revival

THE Twentieth Congress of the Communist Party of the Soviet Union has created a stir in the capitals of the world. The Congress preceded only by a period of two weeks the third anniversary of the death of Stalin. The speeches at the Congress, especially that of Mr. Mikoyan, showed how thoroughly that mighty figure has been debunked, in spite of Stalin's contribution over a quarter of a century to the consolidation of the Communist system in the Soviet Union and its power in the world outside. The theory of collective leadership has been substituted for the cult of personality which Stalin encouraged; this substitution has taken place in a somewhat dramatic manner, by Mr. Khrushchev asking the delegates to the Congress to stop applauding him and Mr. Bulganin. This incident illustrates forcibly how dependent the Soviet political system is on centralised directives. The revised doctrine, once formulated from above, has been accepted with unanimity in the same uncritical spirit in which Stalin's directives and whims were formerly complied with. It has also been proudly claimed that the Communist Party of the Soviet Union has become more monolithic; and credit for that must be fully conceded.

It is with these reservations that one should view either the new iconoclastic zeal or the revision of doctrine of the Twentieth Congress. The Congress will, nevertheless, be regarded as an important landmark by foes and friends alike of the Soviet Union. The convening of the Congress itself has been a rare occurrence, the last two having been held in 1938 and 1952 respectively, to announce important changes. But at all times, the Congress provided only the audience for the Central Committee and not a policy-shaping assembly; that it had no role in the fateful decade after 1940 is proof of this. It is significant enough now that the top leadership in the Central Committee should have thought it necessary to effect far-reaching changes in the policy and methods of the Communist Party, particularly in the field of international relations. The first signs are revealed of a realisation that the methods hitherto pursued by International Communism against non-Communist Governments have bred widespread suspicion and distrust of the Soviet Union.

It is the first genuine attempt of Communist leaders to adapt their policy to the needs of the atomic age and to explore the conditions of peaceful co-existence of differing social systems. The dismal record of Stalin in the post-war period is being effaced in order to provide the climate for preaching, if not practising, co-existence, and Leninism has been handy to provide a basis for such revision. The following thesis of Lenin has become the theoretical basis for recognizing other forms of transition to socialism in other countries: "All nations will arrive at socialism—this is inevitable; but not all will do so in exactly the same way; each will contribute something of its own in one or another form of democracy, one or another variety of the dictatorship of the proletariat, one or another rate at which socialist transformations will be effected in the various aspects of social life."

This reorientation of Communist international policy has therefore attracted attention and it is natural that the statesmen of the world who have been watching for signs of the 'new look' in the

Soviet Union should now take notice of it. The Prime Minister, Mr. Nehru, while referring to these changes, has interpreted them as the inevitable process of rethinking of doctrinaire attitudes in the present world situation. Mr. Dulles has reacted not unexpectedly when he stated that while he noted the change, he would wait for evidence of the sincerity behind it. But others, like the French Foreign Minister, have been more positive in the assessment of the significance of the Twentieth Congress while remaining even basically sceptical.

It is important to note that all these developments are not the result of weakness either within the Soviet leadership or in the military strength of the USSR. Certainly, the present leadership has no intention, even while it disclaims Stalin's policies, to liquidate the Communist empire in Eastern Europe. The construction of heavy industry in the USSR even at the expense of welfare will not get a lower priority. There is now real confidence in Soviet resources, manpower and an expanding technology; there is less fear of encirclement or of threat from the world outside. Soviet leadership is quite aware of the fact that the socialistic trend in other countries which are democratic has also been neutralistic by and large and that this adds to Russian security. All these factors, together with an internal political system which is no less totalitarian than it was under Stalin, must indeed have induced a feeling of complete confidence in adopting the new attitudes.

So the question, whether the Twentieth Congress represents a change of strategy or change of objective, still remains open and can be debated endlessly. While rejecting the inevitability of war, the Soviet Communist leaders have stressed the Leninist thesis that in so far as imperialism exists there also exists an economic basis for war, though it is held as probable that it will be averted by a correlation of several forces. The Communist leaders have also recognized that the transition to socialism could be accomplished peacefully, without civil war and through the parliamentary methods in each country adopted by all sections of the people. This indeed is a revolutionary change from the old Marxian assumption of the inevitability of revolution; but its purpose is not to dissolve the Communist parties in democratic countries. No such directive seems to have been contemplated by the Twentieth Congress. The Communist Parties have been directed only to establish points of contact with the Social Democrats and to explore the possibility of business-like contact, rapprochement and co-operation. The answer to these blandishments lies with the Social Democrats. Will they help to make Communists respectable by such recognition, ignoring their past?

The clues to Soviet policy in the future must be found only in the actual working of these directives. The largest question will be in relation to the internal structure of the Soviet regime and its relations with its satellites. Some degree of criticism seems to have been permitted recently but the character of the regime is unchanged. Its actual operation as a system of world power will decide in the last resort the bona fides of its professions. Questions like German unity are still the important tests of the genuineness of the new spirit.

The Akali Dal—Gesture and Response

THIS week there has been comforting news on the domestic front. On Sunday, the General Council of the Akali Dal passed a resolution accepting the Government's formula of Regional Councils for the Punjab to solve the linguistic tangle which has been threatening to disrupt the politics of the State. The negotiations on this matter have been long-drawn-out and, until last week, the situation was rather fluid, despite the fact that the talks have all along been held in the most cordial atmosphere and with an unusual degree of mutual understanding which made the outlook hopeful. It was only nine months ago that the Akali Sikhs were involved in an agitation for a Punjabi-speaking State. It was not, however, a linguistic movement on the usual pattern; it was patent at the time that it was only a disguised demand for special treatment to the Sikh community as a whole. It had all the elements of a communal movement and the extent to which the Akali Sikhs were able to rally the sympathy of non-Akali Sikh groups provided some indication of a widening area of grievances. The linguistic demand never provided a coherent basis for the creation of a separate State and the States Reorganisation Commission had no difficulty in exposing its unsoundness. But such exposure did not necessarily solve a problem which was mixed up with some genuine misgivings of the members of the community. A solution in somewhat practical terms was called for; it was a task of political reconciliation and the happy conclusion now reached is evidence that it has been quite successfully tackled.

It serves little purpose now to say that the problem might never have arisen if there had been some forethought in the treatment of such political groups which draw their support from communal feelings. The tendency in the past has been to dismiss them as entirely reprehensible, which in fact they are; but such dismissal, unless followed by persuasion and tangible assurances, only drives communalism beneath the surface for a while, making it raise its head when other reasons provide cause for agitation. In the politics of the Punjab, there has not been a dearth of such provocations due to tactless administrative policies. A change of atmosphere, therefore, was necessary before a political solution could be worked out to the satisfaction of all parties. That change has taken time. The reorganisation of the Punjab Ministry has been one of the major steps taken in this connection to create a climate conducive to a settlement of the Sikh problem.

The largest single factor, however, which contributed to an amicable end of this problem was the top-level meeting between Master Tara Singh, the Akali leader, and the Prime Minister. The confidence which these discussions created in the mind of the Akali leader was a triumph of statesmanship. For Master Tara Singh, the argument that the security of India would be jeopardized by an agitation wholly disproportionate to the ends sought by the Akali Dal, has proved convincing. In thus accepting a fair compromise to avoid conflict and passion on our frontier, he has put patriotism above narrower loyalties. This attitude indeed deserves unstinted praise and no section of the nation will now grudge tribute to the Akali leader.

The merits of the particular solution are not, perhaps, of very great importance in this context of understanding and goodwill. Yet, it must be agreed that the Regional Council formula is the best that could have been achieved in the circumstances. A part of the solution has already been put into practice earlier under the Sachar formula by the recognition of the use of the Punjabi language in certain districts and parts of districts. That process is expected to be completed by the recognition of Punjabi in Gurmukhi script and Hindi in Devnagri script as the official languages at or below the district level in the respective regions for which separate regional councils are proposed to be established. At the higher levels, official business will be transacted in both the languages. The zonal committees will enjoy substantial authority, with their decisions being virtually binding on the Government. The old and discredited system of dyarchy has at least on this occasion provided a precedent for the functioning of zonal bodies within a single State.

It is a new experiment in many ways and in points of procedure—particularly when transport, law and order, finance and revenue are kept as reserved subjects—many new conventions may have to be created; but these points should not prove to be sources of difficulty if the atmosphere remains the same as now, one of cordiality. Both sides must remember that the problem would never have arisen if there had not been distrust on one side and some indifference on the other. Indeed, there is no reason why the devolution of powers to zones in educational and allied matters, where language is an important factor, should create any insuperable difficulties. For example, in the composite State of Madras before 1953 these matters were only of routine importance; the sources of discord there were only on the political plane, for which there were no regional councils to provide a certain amount of decentralisation.

A part of the settlement now reached is the exclusion of Himachal Pradesh from the larger Punjab recommended by the S.R.C. There is no need to regret this step, because opinion within Himachal Pradesh has been uniformly against a merger with the Punjab, and the minority report of the S.R.C. had recognised the force of this opinion. This would disappoint the sponsors of the Maha Punjab movement; but this movement itself was only a reaction or a counterblast to the initial narrowness of the Akali movement. In the new context, it must lose much of its reasons for existence. The leaders of the movement would do well to call it off since their primary aim of preventing a disintegration of the Punjab State has been achieved.

The vexing problem of States' reorganisation, it may be said, has turned the corner with this decision. The painful interlude of the Bombay disturbances has given a warning and the disquiet caused by it has been offset by this distinct advance recorded in our vital frontier State. In turn, this will serve as an example and a guide to the other areas where unresolved problems have to be taken up shortly. It establishes the principle that while language is important enough, it is not such an overriding factor as to cause division. It is a hard-won success and the fruits thereof should not be thrown away by further agitation.

PLX 68

don't

chase

shadows...

PLANNED LIGHTING BY PHILIPS

Philips are fully prepared to provide you, without any obligation on your part, advice for a planned lighting system. Call them in and discuss it. Philips Electrical Co. (India) Ltd.



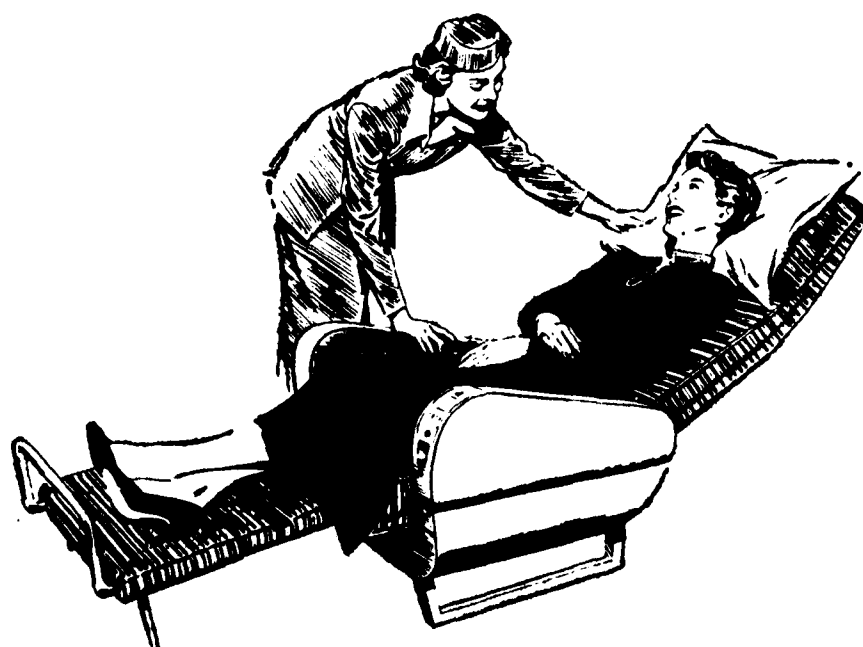
PHILIPS

make light work for you

Calcutta-Bombay-Delhi-Madras-Patna-Kanpur-Lucknow-Bangalore

An attempt to combine economy with efficiency is often like chasing shadows. Planned Lighting, however, is a sure road to success. Planned Lighting means greater output, fewer accidents, less absenteeism. It's Fluorescent Lighting—by Philips—which will help you reduce overheads by giving you three times as much light for the same amount of electricity consumed.

Philips Fluorescent Lighting ensures diffused, glare-free light, without hard shadows. It is the illumination for ideal working conditions, less fatigue, less eye-strain, hence higher efficiency and increased production. Why not try it out yourself? Ask Philips Lighting Service Bureau to examine your existing installations and submit recommendations for any improvements required.



Another **PAA** exclusive...

THE *Sleeperette* SERVICE

An innovation in air travel comfort

Pan American's Sleeperette Service is the ultimate in air travel comfort—meets the needs of overseas flights as never before.

Your Sleeperette lounge chair has double the usual leg room... at the touch of a button it extends to full bed-length. You are supported restfully from head to foot while you relax in confidence, and enjoy a good night's sleep aboard the world's most experienced airline. And remember, the Sleeperette costs you no more!

Only Pan American offers you Sleeperette comfort.

- The Sleeperette lounge chairs are scientifically engineered for your comfort.
- Foam-rubber cushions give your body curves restful support.
- Adjustable leg-rest suits your size.
- Costs you nothing extra.

Let your Travel Agent arrange your trip—his services are free. Or call Pan American in:

Calcutta: 42, Chowringhee Tel. 44-2451, 2452 New Delhi: Imperial Hotel Tel. 48172, 48177
Bombay: Taj Mahal Hotel Tel. 35304

*Trade-Mark, Pan American World Airways, Inc.

Sleeperette is exclusive with

PAA

WORLD'S MOST EXPERIENCED AIRLINE

PAN AMERICAN

PAA 115 R

THE WEEK'S NOTES

T.-C. REGAINS INSTABILITY

THE RESIGNATION of the Congress Ministry in Travancore-Cochin within 13 months of its installation has once again brought to light the unstable political foundations on which the administration of that southern State has to be based. The immediate cause of the resignation was the defection of six members of the Legislature Congress Party, amazingly enough as a protest against the decision to separate the five Tamil-speaking taluks in South Travancore and to include them in Madras in the process of reorganisation of States. This brought down the strength of the Congress to 54 in an Assembly of 117, making resignation unavoidable. None of the other groups is in a position to form a Government either without Congress support, for the simple reason that at least four parties—the Praja-Socialists, the Communists, the Kerala Socialists and the Revolutionary Socialists—will have to join hands to do so, and even then they will not have an assured majority in the Assembly.

In this confusion, the Praja-Socialist Party with 15 members holds a key position, and attempts are currently being made by the other Leftist groups to make them join a coalition. Whether the P-SP joins a Leftist coalition will depend on the National Executive, and it is unlikely that earlier declarations about having no truck with the Communists will be reversed. The prospects of a Congress-PSP coalition are also not too bright because of the unfortunate experience of the earlier P-SP Ministry. Also, Mr. Pattom Thanu Pillai's known opposition to handing over the Tamil taluks to Madras will stand in the way of the 12 T.T.N.C. M.L.As. supporting him, without which the Ministry cannot hope for stability.

The immediate difficulty can be got over by the imposition of President's Rule and having it extended by Parliament until the next general elections are over. But the next elections will also lead up to a blind alley if the parties which believe in democracy and the parliamentary system refuse to recognise the danger ahead. If anything, the 1957 elections to the reorganised State Assembly will accentuate political troubles, with the pro-Congress Tamil areas gone and the largely anti-Congress Malabar district of Madras inside Kerala. It will be too much to expect any miracle such as the one which saved Andhra for the Congress. Some drastic rethinking at national levels in the P-SP and in the Congress seems to be called for if local partisanship is not to be allowed to upset democracy.

TARGET DATE FOR PROHIBITION OFF

THE VIEWS of most of the State Governments on the report of the Prohibition Enquiry Committee have come in and, as was only expected, reveal a general reluctance, on the part of those who have not yet introduced complete Prohibition, to accept any common target, much less April 1, 1958, suggested by the Committee. Even the puritanical Bombay Government seems to feel that the target for other States is too early. The reason for the unwillingness to launch the Prohibition programme was in nearly every case due to the fear of the loss of revenue which it would involve, when the accent is on maximising resources for the implementation of the second Plan, particularly when most of the States have deficits on revenue account. For a State like West Bengal, there is no meaning in forgoing the income from excise which will only widen the already yawning gap in the budget. It has been estimated that the loss of revenue, if Prohibition were enforced all over India from the target date, will be Rs. 120 crores for the period of the second Plan—for three years of complete Prohibition and two years of partial Prohibition.

tion. Apart from this there is the administrative expenditure involved in the fruitless endeavour to enforce the law, the magnitude of which the Committee failed to take fully into account. Some of the States have expressed themselves ready to inaugurate the programme provided the Central Government comes forward with subventions to make up the loss in revenue. But this course will only transfer the burden from the States to Centre, and will not in any way affect the overall financial position.

These views of the State Governments raise an important issue of principle about the procedure adopted by the Prohibition Enquiry Committee. Obviously they were presented with equal force before the Committee—the views of the Madras Minister quoted in the minority report is evidence—but were disregarded by the Committee which thought it fit to substitute its opinions for the inquiry it should have undertaken and the conclusions based on the summing up of the evidence. The fault, perhaps, lay with the Planning Commission which constituted the Committee in a manner which made doctrinaire approach inevitable. The present decision on the question must serve as a warning in future against deciding such vital aspects of social policy—with effects on revenues, enforcement and the area of personal preferences—in the haphazard manner in which the Committee was appointed.

WEST GERMANY'S INCREASING ROLE

THE RECENT visits of a delegation of West German industrialists and of Herr Krupp, after the visit of Dr. Franz Bluecher, the Vice-Chancellor, and the inauguration of the Indo-German Chamber of Commerce in Bombay in January, has once again highlighted the increasingly important share of West Germany in India's foreign trade and her willingness to play a more significant role in the country's economic development. Trade between the two countries has been growing by leaps and bounds in the last few years. India's imports from West Germany were valued at Rs. 42 crores in 1954 and at Rs. 30 crores for the first six months of 1955. Exports recorded an even more remarkable improvement—from Rs. 17 crores in 1954 to Rs. 14.6 crores in the first half of last year. That nearly 90 per cent of the imports in 1954 were in the form of machinery, engineering goods, optical instruments and semi-manufactures like dyes and chemicals gives one an idea of the favourable trends in Indo-German trade capable of helping India's industrial growth.

At present West Germany occupies the third place, after the US and Britain, in its share of international trade. Her recovery in the manufacture of capital goods and other commodities which play a vital role in the establishment and promotion of industry has been astonishing. Under the second Five-Year Plan, India will have to import machinery and equipment to the tune of Rs. 780 crores to implement the industrial projects in the public sector alone. Industry in the private sector will also be importing capital goods for nearly Rs. 300 crores. The second Plan also envisages improvement in rail transport facilities and considerable addition to our shipping tonnage. It is natural that West German industrialists should be anxious to secure a sizable part of the orders which India will in any event have to place abroad. In this West Germany's willingness to extend technical aid and to train Indian technicians in German workshops, and the readiness to undertake investment without asking for special guarantees and to extend credit on easy terms at low rates of interest should give them a definite advantage. Private American investment, finding more profitable avenues in oil or other ventures nearer home, is unwilling to enter India in the fields in which foreign help

will be considered desirable. This leaves the field fairly clear for German participation which has already taken place in a few important projects.

FROM BAD TO WORSE IN CYPRUS

THE BRITISH GOVERNMENT has decided to deport Archbishop Makarios, the "Union with Greece" leader, from Cyprus, following the failure of the talks with him on the future of the island. The ostensible reason adduced for this—to say the least—unwise action is that the Archbishop had been indirectly encouraging terrorist activities. Whatever truth there might be in this allegation, with Archbishop Makarios removed from the scene, there is no one with whom the British can deal as the acknowledged spokesman of four-fifths of the 500,000 Cypriots, and so, as far as the British side is concerned, peaceful settlement in the near future is ruled out. Deportation has been followed by a declaration that law and order will be enforced, but events of the last few days have shown that this will be no easy task. If Cypriot discontent had been exaggerated in the past, as claimed by London, there will be no need for hyperbole hereafter.

It is difficult to believe that Britain has not learnt the bitter lesson France learnt in Morocco and should be going the Salazar way. Strong-arm methods can serve only as expedients. How long Britain can continue to hold on to Cyprus by the power of the sword is a matter for reflection. True, it will be extremely difficult to concede Makarios's demand for the pardon of all Cypriots held on charges of treason as a precondition to co-operation in framing a Constitution. But, if he does not exact this concession, his own position as the leader of Greek Cypriots may be weakened and his ability to enforce an agreement, in the teeth of extremist demands for immediate union with Greece, endangered. The Turkish minority certainly needs to be assured of fair treatment, but that cannot be done by refusing the demand that representation should be on the basis of population. Ultimate union with Greece is bound to come; in the meanwhile the attempt should be to promote goodwill on both sides and not to "divide and rule". There have been demonstrations in Athens and elsewhere in Greece against the British decision. Whether these incidents will further worsen the already none too cordial relations between Greece and Britain is uncertain. To the Eden Government,

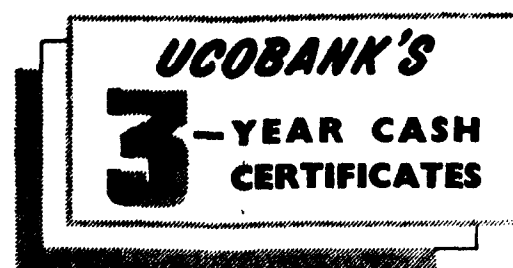
which is already harassed, the Cyprus question also may prove a heavy liability.

STALEMATE IN VIET-NAM

RECENT EVENTS in South Viet Nam indicate that the country is heading for an indefinite impasse. After refusing to have anything to do with the Communist-controlled North, President Ngo Dinh Diem has followed up the deposition of Bao Dai in October by elections to a Constituent Assembly. As was foreseen Mr. Diem's followers have been returned in sufficient numbers to ensure that the draft Constitution, which is reported to vest a great deal of powers in the Head of State, will be duly approved without difficulty. But the elections were not held with the fairness and in the freedom which would have given greater strength to Mr. Diem in his opposition to co-operation with the Communists for unifying the country. Means of propaganda were said to have been denied to irksome critics, and the opposition parties felt compelled to boycott the elections, though candidates contested as independents.

Mr. Diem's bid to consolidate political power and attempt to give his regime a constitutional basis have, of course, been accompanied by success in fighting the dissident armed sects. The Bin Xuyen have all been nearly wiped out and Cao Dai warriors are being incorporated in the National Army. Only the Hoa Hao guerillas still remain at large. But with their elimination will go all justification for authoritarian powers for the executive. Though the mere act of voting in the elections can be interpreted as a vote against Communism, it certainly does not mean the people want Diem to continue as an autocrat. The whole-hearted support of the US to Diem has not only made more difficult any democratisation of South Viet Nam—because the President does not think it necessary to be conciliatory—but has also blocked all attempts to get him to honour the Geneva Agreement, to which he was technically not a party. If the Geneva understanding is to be bypassed, let it be done by democratic processes, so that the powers who participated in the talks cannot complain that the people of South Viet Nam are not being allowed freely to voice their opinion on whether they want union under Communist rule or wish to stay divided but free.

A profitable investment . . .



- Repayable at any time
- Earns a higher rate of interest

THE
UNITED COMMERCIAL BANK LTD.

Head office: Calcutta.



Paid-up Capital ... Rs. 2 Crores
Reserve Fund ... Rs. 95 Lacs

ALL TYPES OF BANKING BUSINESS TRANSACTED

G. D. BIRLA
CHAIRMAN

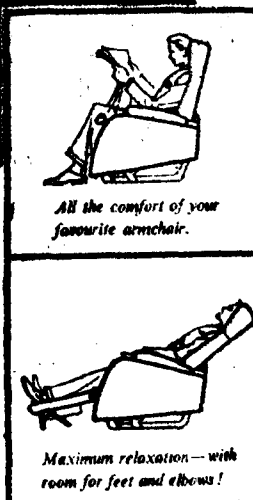
S. T. SADASIYAN
GENERAL MANAGER

Rupee Travellers cheques issued in convenient denominations.

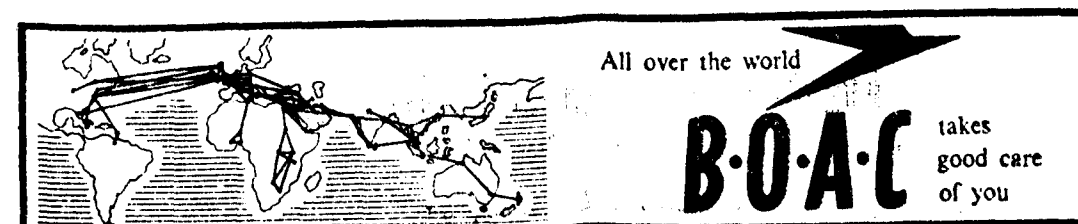
The chair B.O.A.C.
designed for the sky



'Slumberette' luxury by
all B.O.A.C. Majestic
services



Not only does B.O.A.C. offer you marvellous food and wines and really personal service... you'll enjoy the foam soft luxury of fully-reclining "Slumberette" seats. They're wonderful to sit up in... blissful to lie back and sleep in... scientifically designed to give you maximum comfort all the time. Much greater space between rows of seats—only 30 passengers on board—gives you spacious roominess. Sleep when you will in a luxurious full-length "Slumberette"—a superbly restful bed—and arrive at your destination fresh and well rested. Consult your local travel agent or B.O.A.C. office, Calcutta, Delhi, Bombay and Madras.



BRITISH OVERSEAS AIRWAYS CORPORATION



Two people
...but the same tune

IN OTTAWA or in Delhi, in Montreal or in Calcutta,
the pipers play the same tune.

This particular tune is of a ballad which says that, some twenty years ago, Canadian enterprise helped to initiate the development of the aluminium industry in India. Today, Canadian technical and financial resources are again helping the industry to install a new smelter, which will be India's biggest, at Hirakud, Orissa.

The ballad ends with the rejoicing that Canadians and Indians are partners in India's progress towards industrialisation.

**Indian Aluminium
Company Limited**

A Canadian-Indian Enterprise

A Window on the World

MONEY IN A WELFARE STATE: A CASE HISTORY

By
ODYSSEUS

REVOLUTIONARY are the times in which we live. If you judge revolutions by the cubic feet of blood spilled per second, the French eighteenth and nineteenth century record probably still holds. But if economic effects on the lives of the masses is your yardstick, then the claims of Britain, which pioneered the industrial revolution in the nineteenth century and the Welfare state in the post-World War II twentieth century cannot be overlooked, for the influence of British techniques of production and economic and social re-organisation have in one form or another spread round the world, not least in India, where the embryo of our Socialist (Socialistic?) pattern can be traced back to the famous Beveridge Report, "Full Employment in a Free Society", published in 1944. Britain, being thus a few years ahead on the Welfare path, provides us with an invaluable laboratory for practical research into what we ourselves may expect and, if we have any sense, we will watch the British experiment in order to profit by their mistakes.

The British case history offers at this moment grimly interesting warnings of inflation which we ignore at the peril of all our hopes. Basically, inflation consists in raising the prices of all commodities so that certain individuals or groups, to whom alone enough extra money is given to afford the higher prices, are privileged at the expense of all those groups who are unable for one reason or another, to secure additions to their incomes. These groups with fixed incomes, or with bargaining power insufficient to secure them proportionate increases, are thus compelled to do without goods and services which are thus reserved for the privileged individuals or groups able to insist on more money.

In the past, the privileged have usually been kings or governments who debased their currencies because they wanted to start wars for which they could not raise the money in normal ways. Faced with a war for survival, governments must mobilise all the men, goods, and services they want, and the easiest (though not necessarily the wisest) way is to price everyone else out of the market by granting government buyers limitless credit with which no private citizen or unauthorised groups can compete.

This classic role of the government in creating credit for itself has certainly been one of the factors at work in Britain. Capital investment in the nationalised industries and subsidies to agriculture, plus the enormous requirements of atomic research and the astronomic cost of modern armaments, are part of this picture. The maintenance of vast numbers of young men and women at the most active ages of their lives outside industry in non-productive armies, armaments factories, and research laboratories is a terrible burden which the pre-World War generations did not have to bear.

£5,000 MILLIONS IN TAXES

But contemporary governments are more aware than their pre-war predecessors of the inflationary

risks of government spending, so they seek to counter this by taxation. In theory, if instead of printing money which represents no goods made or services performed, a government takes from a citizen part of the income which his labour has genuinely earned, it is not adding to the volume of money which is chasing goods but merely transferring the money from a private to an official pocket. In practice, this is true providing that taxation does not rise beyond whatever point it is at which the wage or salary earner decides that, since any extra income will not be spendable by him but will be taken from him, there is no sense in making any further effort. If he is a wage earner, he insists on, say, a forty-eight-hour week being reduced to forty-two or fewer hours, for the same pay and output. If he is a salaried man, he takes longer weekends (the majority of professional offices, such as solicitors, are closed in Welfare Britain on Saturdays) and does not allow himself to feel the pressure of his work unduly ("What a time these people take to do anything for you!" is a common complaint heard in the UK nowadays, but it is made to the wrong person: it should be addressed to the tax collector). Worst of all, from the national viewpoint if he is a proprietor of an enterprise, the tax payer knows that if he expands his business by new ventures he may lose his money, or that if the expansion is successful the tax collector will take two-thirds or more of it. Why take the risk? All one can say is that if these principles had existed half a century ago, the wealth of India, for example, would be poorer for the absence of the Tata Iron and Steel Works and a dozen other great but risky ventures. (Have you ever had the curiosity to look up how many years the original shareholders of Tata's had to wait for any return on their investment? Twenty-five or more, if my memory fails not).

But the Welfare state has through its nationalisation of industries and its lavish care of the citizen from birth to death, introduced new sources of inflation of a Himalayan grandeur beside which Henry VII's efforts scale down to mole hills. Central and local government in Britain takes in taxation today over £5,000 million a year, almost half of the national income. In addition to its blighting effects on the will to work, this slows down the whole pace at which the national wealth is increased because the money collected in taxes is not available for productive investment. And, of course, anyone with any first hand experience of how a government department or a nationalised enterprise is actually run, knows that waste and inefficiency are unavoidable. What old Sam Pepys who noted in the seventeenth century "I perceive that the king may not have his needs supplied as cheaply as ordinary men" would say if he could return to Whitehall today would be worth hearing. (Actually since Whitehall now overflows all over London, he would probably lose himself somewhere between the BBC sub-office in Oxford Street and the Ministry of Pensions sub-sub-office in Paddington and never be heard of again).

Beveridge said in his report that the success of the Welfare state depended on two basic assumptions (1) that the Trades Unions would work a national wage

policy culminating not in stoppages but in arbitration and (2) that the value of money would be stable. Neither assumption has been fulfilled.

INCENTIVES IN INDUSTRY

Full employment has been among the reasons for this. To question full employment has become tantamount to professing oneself a hard faced, reactionary survivor of the Bad Old Times. But the fact is that where there is virtually no unemployment, the workers feel immune from dismissal and the knowledge of this goes corruptingly to their heads like absolute power; the pace of the slowest worker sets the pace for all, and every attempt to economise labour is resented, so that ridiculous situations are reported in the press in which redundant hands are kept on riding up and down in a vehicle that no longer needs their attention, doing literally nothing but reading the paper and drawing their pay. On the other hand, employers faced with an all round shortage of labour bid against each other, not as they would in a free economy to attract workers from a fading to an expanding industry, but to steal men from one section of the same industry to another, or faced with a strike employers feel the climate of opinion to be so dangerously against them that they have no alternative but to submit to wage increases.

All this means rising costs to consumers. But consumers are the same workers in their non-working hours. Whereupon they strike for higher wages to meet the higher costs that they have helped to create. The only people who cannot strike are the middle classes who see their standard of living dwindle steadily. "What does that matter?" asks the Welfare proletarian, confident that this is his century. "It's our turn now. Why should the middle classes have any privileges?" Answer: For one reason, if for no other,

because they had a consciousness that duties went with their privileges: they knew that they had to save. Today they cannot, and the workers do not.

For psychological reasons explained in the series on "Incentives in Industry" published here between September 13 and October 9, 1953, the British worker feels satisfied if he can keep his social position up comfortably according to the accepted standards of his particular group. He can always do with a little more money but he is not spurred to great output, as the middle class used to be, by hopes of promotion or of big advances in status. On the contrary, Socialist doctrine has spread the idea that too hard work, enabling a man to "better himself", makes a man a traitor to his class. Contrary to the ambition characteristic of the individualist American worker, the Socialistically influenced British worker regards it as an offence to do anything which shows up a less efficient mate. His ideal is to be as unobtrusively near the average as possible. This may not have mattered in the past, but today when the workers are the only people with ample money to save (Cf. the amounts spent on motor cars, television, etc.) the future of the Welfare state is at stake. Of course, there is a National Savings propaganda campaign, but who wants to invest in a depreciating currency?

Here space cuts short my argument for the week. I do not suggest that Britain is foredoomed to bankrupt herself (and the sterling area) in further inflation. There is today a sense of national emergency of a kind that has rallied the nation before and there is no need to assume that the British will not respond to their government's courageous first measures. Our good wishes should not, however, prevent us from analysing the causes of the British inflation and drawing whatever lessons they suggest. We will consider next week the closely related problems of nationalised industries and inflation.



INDIA STEAMSHIP CO., LTD.

Our Fleet

S. S. INDIAN PIONEER	S. S. INDIAN EXPORTER
S. S. INDIAN TRADER	S. S. INDIAN NAVIGATOR
S. S. INDIAN SHIPPER	S. S. INDIAN MERCHANT
S. S. INDIAN IMPORER	S. S. INDIAN COMMERCE
S. S. INDIAN RENOWN	S. S. INDIAN RELIANCE
S. S. INDIAN ENDEAVOUR	

Calling at :-

PORT SUDAN, PORT SAID, ALEXANDRIA,
LONDON, LIVERPOOL, DUNDEE,
ANTWERP, ROTTERDAM, HAMBURG,
BREMER, and other ports.

Regular cargo service between INDIA-U.K.-CONTINENT and also INDIAN COASTAL service

Managing Agents: LIONEL EDWARDS LTD., D-1, CLIVE BUILDINGS, CALCUTTA-1.

Economic Report from the U.S.

ANOTHER BOOM YEAR IN THE OFFING

(BY GUY SIMS FITCH)

WASHINGTON, March 13.—Largely overlooked in the news emanating from Washington in the past two weeks has been a Congressional study of the American economic outlook. After a month of listening to expert testimony and examining current trends, the Joint Committee on the Economic Report has backed the Eisenhower Administration's conclusion that 1956 will be another good year for business in the United States.

The Committee, which reviews the President's annual Economic Report, finds that the total national output of goods and services this year will have little difficulty in reaching the \$400,000-million mark predicted by the President and his Council of Economic Advisers. It agrees with the Council that rates of employment and use of industrial capacity are running so high now that they may well hold back an even greater expansion. Conceivably, the Committee notes, expansionary pressure could push total output up to \$405,000 million, possibly to \$410,000 million.

A \$400,000 million economy, according to the Committee, will be fully consistent with the aims of the Employment Act of 1946. The anticipated growth in real output of 3 per cent—compared with 1955's extraordinary 6 per cent—will be sufficient, it believes, to keep production, employment and income at acceptable high levels.

This agreement between the Republican Administration and the Democratic Congress emphasises the degree to which, in the words of the Committee report, "the objectives and machinery" of the Employment Act have become "firmly established" in the past ten years. It reflects the non-partisan character of the Act, and the sincerity with which the executive and legislative branches of Government have approached their responsibilities under it.

Agreement does not extend, however, to the realm of method. The Committee, headed by Senator Paul Douglas, offer some sharp criticisms of the way in which the Council of Economic Advisers has drawn its conclusions. Senator Douglas has expressed the view that the Council ought to set out, in advance, quantitative levels of economic activity as goals for the year. These goals then could serve as a guide for the kind and the degree of Government intervention that might be necessary to maintain a full-employment economy.

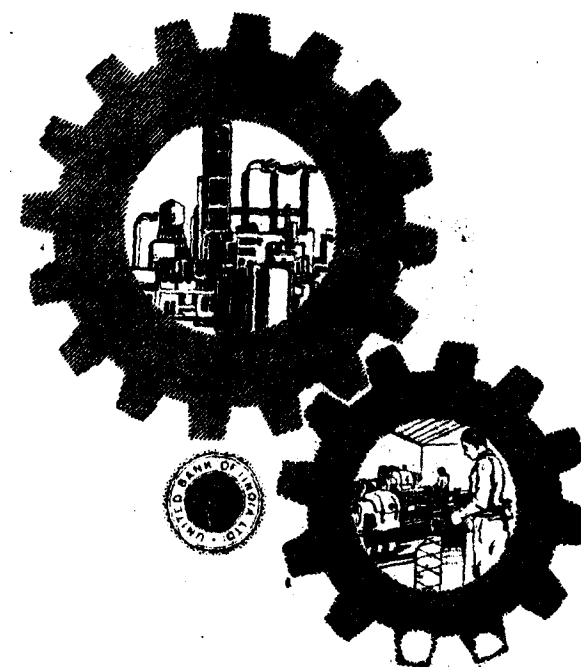
But Council Chairman, Arthur Burns, believes that such advance determination would be meaningless, and possibly harmful. In a free and dynamic economy, he holds, quantitative economic trends cannot be predicted with any useful exactitude. It is his view, moreover, that attempts to impose pre-ordained levels on such an economy could lead to rigid patterns that might disrupt the normal working of the private sector and retard its vast growth potential.

While disagreements such as this can take on political overtones, basically they represent an honest difference of opinion over the planning required to fulfil

the objectives of the Employment Act. In general, the Democratic Party has tended toward a larger, the Republican Party toward a smaller, Government role. Nevertheless, both parties have demonstrated successfully in this post-war era their determination to create conditions conducive to stable growth.

It is well to remember, in this connection, that both Burns and Douglas have gained enviable reputations in the field of economics. Each has been an eminent university professor, and each a respected interpreter of the economic scene. The fact that both agree on the soundness of the American economy and the favourable prospects ahead far overshadows any theoretical conflict over economic methods. In this agreement lies the chief significance of the Committee's report.

INDUSTRY AND THE BANK..



United Bank of India Ltd.

HEAD OFFICE: 4, CLIVE GHAT STREET.

CALCUTTA-1

17th June—1st July 1956

XXV international FAIR POZNAN (POLAND)

Great International Market in the interests of
EAST-WEST TRADE

At the previous Fair in 1955. Total area of the Fair was
225,000 sq. m., of which Covered in area was 80,000
sq. m., and Open-air exhibition area was 25,000 sq. m.

24 European and Overseas countries exhibited at the
Fair.

The Fair was visited by over 1,300,000 persons, includ-
ing 3,500 visitors and buyers from abroad representing
45 countries.

Transactions were concluded with 35 countries.

For information apply to:
INTERNATIONAL POZNAN FAIR
11 P. Koszowski Street, Poznan, Poland.
Cables: TARG POZNAN.

POLISH CHAMBER OF FOREIGN TRADE
4, Trzbacka Street, Warsaw, Poland.
Cables: INAZET WARSZAWA.

POLISH COMMERCIAL COUNSELLOR'S OFFICE
18, Connaught Place, New Delhi.
Phone: 44597



WORLDGRAM

AGRICULTURE

Canada's Wheat Yield Up: The farm value of Canada's 1955 wheat crop amounts to \$556,270,000 according to a final estimate by the Bureau of Statistics. This compares favourably with \$349,570,000 a year previously. The final estimate of crop production places the wheat crop at 494,116 bushels, compared with 309,909,000 a year previously. The total farm value of Canada's field crops, including grains, vegetables, feed and sugar beets, amounted to \$1,564,000 (£557.7 million) compared with \$1,242,829,000 (£443,080,000).

Increase in Rhodesian Tobacco Crop: Preliminary official estimates are that the Rhodesian flue-cured tobacco crop this season will be 23 per cent larger than 1954-55 at 157.5 million lbs., compared with 128.2 million lbs. previously. Although the total acreage under flue-cured tobacco in the two Rhodesias this season is officially reported to be 209,500 as against 186,800 before, more than one third of the increase in production is attributable to the highest figure yet attained in Central Africa.

Burma's 1955-56 Cotton Crop: Unofficial estimates of Burma's 1955-56 cotton crop indicate that production will be about the same as the 1954-55 production of 90,000 bales, with acreage of approximately 450,000 for both years. Cotton production in 1953-54 was estimated 100,000 bales, and the area planted to cotton at 400,000 acres. Cotton exports during the August-July 1954-55, marketing year were tentatively estimated at 75,000 bales, nearly half of which was exported to Japan. Quantities exported to other countries are not yet available. Exports in 1953-54 amounted to about 92,000 bales. Cotton stocks on August 1, 1955, were estimated at 20,000 bales, as compared with 18,000 bales held a year earlier.

INDUSTRY

Coal Industry During 1955: The output of coal in India increased to 38.22 million tons in 1955 from 36.88 million tons in 1954, according to provisional estimates released by the Chief Inspector of Mines in India. Dispatches of coal also increased from 32.03 million tons in 1954 to 32.91 million tons in 1955. Coal stocks at pit heads at the end of the year amounted to 3.61 million tons. The average daily employment at the coal mines in India was 340,615 in 1955 as against 332,320 in 1954. On an average they worked about 8.5 million man-shifts per month in 1955 as against 8.3 million man-shifts per month in 1954.

Sugar Factories During Second Plan: According to Shri Ajit Prasad Jain, Union Minister for Food and Agriculture, thirty-five sugar factories would be established in the second Five-Year Plan period. The construction of 35 new factories for which licences had been issued during the first Five-Year Plan, would also be completed during the second Plan period. The increase in production therefrom would be approximately 6.9 lakh tons of sugar per annum, including 3.6 lakh tons from factories licensed during the first Five-Year Plan and 3.3 lakh tons from factories to be licensed during the second Five-Year Plan.

Standards for Bicycle Components: The Indian Standards Institution has recently published two more standards on bicycle components, one on pedal assemblies and the other on hub assemblies. These are two of a series of Indian standards dealing with the more important components of bicycles. The standards on

bicycle pedals and bicycle hubs take care of the interchangeability that is so important. They also specify minimum requirements of the materials, the hardness of components, the plating, the threads and the tests that these components should stand, which should ensure reasonable life and performance of these components. These standards have been prepared by the Bicycles Sectional Committee of ISI.

Sugar Research Stations: New research stations are proposed to be established in Madhya Bharat, Bhopal, Rajasthan, PEPSU, Mysore and West Bengal during the second Plan period, according to Mr. M. V. Krishnappa, Union Deputy Minister for Food and Agriculture. Research stations are already in existence in other important sugarcane growing States. Soil survey is proposed to be made a regular item of the research programme to be pursued at the research stations.

Oil Exploration at Jaisalmer: Rock formations in Jaisalmer area in Rajasthan indicate possibilities of mineral oil, according to Mr. K. D. Malaviya, Union Minister for Natural Resources. It is too early to say anything about the outcome of oil exploration in the area as exploration work is still in progress. A large part of the area is covered under thick sand-dunes. It is only after carrying out geophysical survey that indications of structures could be obtained and drilling work started to prove the existence of oil. Gravity and magnetic survey on the ground is already in progress and an aero-magnetic survey of the entire region of about 20,000 sq. miles is expected to be carried out shortly. The detailed geological and geophysical investigations including seismic methods will be carried out during the next field season.

TRADE

Austro-Soviet Trade Agreement: After nearly four months negotiations, the trade and shipping, payments, and goods exchange agreements between Austria and Soviet Union were signed in Vienna on October 17, 1955. The trade and shipping agreement defined principles of Austro-Soviet economic relations, concerning trade, shipping and the exchange of experiences in the fields of industry, agriculture and transportation. It also guaranteed the mutual application of the most favoured-nation clause. The payments agreements provided for dollar clearing accounts with a permitted swing of 5 million dollars. The goods exchange agreement stipulated a volume of about 25 million dollars each way for the first year. Austria is scheduled to deliver machinery for the light industry and the food stuffs industry, wood-working equipment, turbines, hydro-electric equipment, spares for motor buses, steel wire and cables, steel pipes, veneers, kerosene, diesel fuel, leather, woollen yarns, and ship repairs. Soviet deliveries to Austria will comprise cereals, coal and other Soviet fuel, hides, platinum, miscellaneous machinery equipment, motor vehicles, chemicals, furs, mechanical herbs, bristles, asbestos, cotton and cinematograph films.

Burmese-Yugoslav Barter Agreement: An agreement has been signed between the "Textile Import and Export Enterprise" of Yugoslavia and the Union of Burma Co-operative Wholesale Society Limited and Textile Import Branch of the Civil Supplies Management Board. Under the agreement, the Yugoslav Enterprise will supply 1,300,000 yards of various types of textiles to the civil supplies Management Board in exchange for 1,000 tons of raw cotton from the Union of Burma Co-operative Wholesale

Society Limited. The total value of the deal has been placed at 5 million kyats.

*

Liberalised Imports in O.E.E.C. Area: The twelve O.E.E.C. countries pledged to liberalise up to 90 per cent of their total imports by October 1, 1955, last freed 85.6 per cent of 4.4 per cent short of the target, by December 1. This compared with 61.5 per cent freed from quantitative restrictions in December, 1955, and 83.3 per cent in December, 1954. Five of the twelve countries also failed to carry out their other pledge to liberalise up to at least 75 per cent of their imports under each of the three categories, of food and feeding stuffs, raw materials and manufactured goods. In January, 1954, the Council fixed these targets as from July. Member nations unable to reach them have filed statements pending payments difficulties or "reasons of national importance and equity" for their failure. The countries which failed to reach the 90 per cent target are the U.K. 84.8 per cent, France 77.5 per cent, Norway 75 per cent, Denmark 78.4 per cent and Australia 83.5 per cent. Italy had the best record, with 99.7 per cent, while Germany, Benelux, Portugal, Ireland, Sweden and Switzerland varied between 90.2 and 93.7 per cent. As for the 75 per cent target in the three categories, seven countries—U.K., Germany, Italy, Portugal, Australia, Sweden and Ireland, attained it, but France, Benelux, Denmark, Norway and Switzerland did not.

FINANCE

Tea Earns Less Foreign Exchange: Foreign exchange earned by tea declined sharply to Rs. 1,118,600,000 in 1955 from Rs. 1,312,900,000 in the previous year. Lower exports and a decline in tea prices were responsible for the sharp fall in the value of exports. The quantum of tea exported from India last year is estimated at 363,570,000 lbs compared with 450,400,000 lbs in 1954. Prices declined during the part of 1955, following the hectic boom seen in the previous year. The index number of tea prices, (base 1939-100) dropped from 808 in January to 344 in December last year. The decline in prices was due to lower demand from the U.K. following the limitation of credit facilities there; seasonal arrivals of low-quality rains teas; the glut on the Calcutta market; and expectation of higher world production.

*

Bank Rate Up in West Germany: The West German Central Bank has raised the Bank Rate from 3½ to 4½ per cent. This is the second increase within the last eight months. At the beginning of August last year the Bank, Deutscher Lander put up the rate from 3 to 3½ per cent to counter inflationary pressures and restrict credit. At its meeting recently the Central Banking Council decided also to put up the Lombard Rate from 4½ per cent to 5½ per cent and the interest rate for short-term municipal loans from 3½ to 4½ per cent.

*

Bank of India's Bonus Move: The directors of the Bank of India propose to issue one bonus share of Rs. 50 fully paid for each five shares to mark the celebration of the Golden Jubilee of the Bank. The issue, which is subject to the sanction of the Government, will be met by the transfer of Rs. 50 lakhs from the reserve fund, making the paid-up capital Rs. 3 crores and the reserve fund Rs. 3.02 crores. The Bank's capital would, therefore, consist of two classes of shares, namely, the present partly-paid shares and the new fully-paid shares. Disclosing this at the Bank's annual meeting, Mr. Cowasji Jehangir stated that with the two per cent extra dividend already recommended and the further proposed increase in capital, if sanctioned by the Government, the future dividends will depend not only upon the profits of the Bank but upon the Government's taxation policy.

New Joint Stock Companies: The latest Monthly Blue Book on Joint Stock Companies issued by the Department of Company Law Administration shows an increase of new registrations during the first nine months of the current fiscal year. The total number of new companies registered during this period was 993 with a total authorised capital of Rs. 1,00.33 lakhs as against 877 companies with a total authorised capital of Rs. 1,63.07 lakhs during the corresponding period of the preceding year, 1954-55. The new companies comprised 138 public and 855 private companies having an authorised capital of Rs. 55.54 lakhs and Rs. 45.34 lakhs respectively. During the month of December, 1955, 101 new companies were floated with an authorised capital of Rs. 4.16 lakhs. Of these ten were public companies with an authorised capital of Rs. 1.57 lakhs. Of these 101 new companies 36, 16, 15 and 9 companies were incorporated in the States of West Bengal, Madras, Bombay and Delhi.

GENERAL

Unemployment Among the Educated in India: The number of educated unemployed registered at the Employment Exchanges all over India at the end of December 1955, was 2,16,157. Of these, 1,89,933, were matriculates and 26,224 were graduates. Among the graduates, 628 were engineers, 179 doctors and 25,417 were degree-holders in subjects other than engineering and medicine. The number of women unemployed was 10,510 of whom 9,275 were matriculates and 1,235 graduates. Of the educated unemployed, 96,679 were registered during October-December, 1955, and those placed in jobs by the Exchanges numbered 13,485 during the period. The largest number of registrations—21,134—were made at the Employment Exchanges in Uttar Pradesh and the largest of placements namely, 1,868 were secured in Madras State. The number of educated unemployed registered at the Exchanges during the period in Uttar Pradesh was 40,072, West Bengal 31,046, Bombay 28,718 and Madras 25,084.

*

New Housing Scheme for Coal Mines Workers: The Government of India is contemplating a new scheme for the construction of houses for workers in the coal mines under the Coal Mines Welfare Fund, according to Shri Abid Ali, Union Deputy Minister for Labour. The Welfare Account had spent 60 per cent of the total income till the end of March, 1955. The figure for the Housing Account was 34 per cent. The inadequacy of the work done under the Housing Account is due to the lack of response from mine-owners in utilising the contributory schemes offered to them. New schemes for expenditure on a much greater scale have now been evolved by a sub-committee of the Advisory Committee of the Welfare Fund and a Standing Committee has been set up to watch implementation. No amount has been deposited in the Reserve Fund.

*

Technical Potentialities of Ambar Charkha: A Committee has been set up by the Government of India to investigate the technical potentialities of the Ambar Charkha and to assess the degree of acceptability by the handloom weavers of the yarn produced on the Charkha. The Committee will submit its report by the end of April 1956. According to the terms of reference, announced in a Government Resolution, the Committee will report whether the different tools or machines comprising the Ambar Charkha set are capable of being worked with hand. It will also investigate whether a normal adult can work on the Charkha for 8 hours with reasonable intervals of rest without any particular feeling of fatigue and whether the Charkha can yield a production of about 8 hanks of yarn starting from the carding of cotton or a production of about 16 hanks if the rovings are separately prepared and supplied.

NEWS IN BRIEF

INDIAN

The Government of India have formulated a scheme for the establishment of a large number of maternity and child welfare centres in rural areas.

*

Several States, including Hyderabad, Bombay, Madras, Mysore and Andhra, are expected to participate in the All-India Grape show being organised by the Indian Council of Agricultural Research in the Art Gallery, Hyderabad, on March 17, 18 and 19, 1956.

*

A new raw jute exchange market called the Ready Jute Exchange was opened recently by West Bengal's Labour Minister Mr. K. P. Mookerjee, in Dalhousie Square area, the business centre of the City.

*

Negotiations are now complete and terms of agreement have been finalized for the setting up at Hirakud of an aluminium factory, with an annual production capacity of 10,000 tons.

*

The Centre has given loans to Nepa newsprint mills in Madhya Pradesh of a little over Rs. 1.8 crores for financing the mills, while the State Government has invested Rs. 60 lakhs in the share capital and has given loans of about Rs. 4.08 crores.

*

The amount of money given by way of grants-in-aid or subsidy to the Governments of Pepsu and Himachal Pradesh from 1947 to 1955 was: Pepsu Rs. 2,66,15,331 and Himachal Pradesh Rs. 4,21,89,896.

*

It is reported that 32 spinning mills were under construction in South India and 65 mills had already been licensed to be installed in the near future.

*

A seven-man technical delegation from the well-known Italian Fiat has arrived in Delhi at the invitation of the Government of India on an exploratory mission. This is the first step taken under the technical assistance agreement entered into between Italy and India to advise the Government of India on development of industries.

*

The largest number of visitors to India during 1954 and 1955 came from Germany. They included tourists, business men, technicians and missionaries. The number of Americans who visited during 1954 and 1955 was 7,225 and 8,116 respectively. The comparative figures for the Russian visitors were 210 and 849.

*

The Government of India is considering a proposal to send some Indian experts to the Soviet Union for studying irrigation and power projects there.

*

India imported during last year about 3,653 tons of tin valued at Rs. 3.5 crores.

*

It is reported a barter deal involving Indian cotton for Italian staple fibre and rayon yarn is being negotiated. The money value of the transaction is estimated at Rs. 20,000,000. For this sum worth of Italian staple fibre and rayon yarns, India will export to Italy 50,000 bales of raw cotton.

FOREIGN

The out-turn of tea in Indonesia was lower at 7.4 million lbs. in December, 1955, as compared with 8.5 million lbs. in the corresponding month of the previous year. Output during the whole of last year was also lower at 94.5 million lbs., as compared to 103 million lbs. in 1954.

*

It is reported Russia has begun buying rubber on the Singapore market for the first time since last year.

*

It is forecast that in the next ten years the world petroleum industry will need to spend a total of \$115,000 million (£41,000 million) for maintenance and expansion, assuming that the value of the dollar stays stable over the period.

*

Negotiations are proceeding between Dutch Industrialists and a number of Indian concerns aimed at the investment of private Dutch capital amounting to £3 million in Indian enterprises during the current year.

*

Ceylon had a record favourable trade balance of Rs. 478.9 million in 1955. The previous peak was Rs. 412 million in 1954. Nearly three-fifths of the total export revenue accrued from tea and slightly one-fifth from rubber.

*

Mr. Macmillan stated in the Commons recently that in the financial year 1954-55 the total amount received by the Exchequer in respect of surtax was £134.7 million. About £30 million was paid by tax payers with incomes not exceeding £5,000 after deduction of expenses and charges but before deduction of income-tax and surtax.

*

The management boards of the Yugoslav-Italian and the Italo-Yugoslav Trade Chambers will convene at a joint session during the Milan Fair in April this year. Problems relating to the further promotion of trade exchange between the two countries as well as certain questions which arose in the course of trade transactions so far will be discussed on this occasion.

*

Malaya will send another delegation to Britain later this year to discuss financial matters left in abeyance by the London Conference earlier in February which promised Malaya independence by August, 1957.

*

As a result of negotiations held between the representatives of the Republic of Italy and Pakistan, a trade agreement was signed in Karachi on February 8, 1956.

*

Complete plant and machinery for the establishment of two textile mills in Iran have been recently shipped from Italy to the Iranian Government.

*

A Philippine Maritime Commission has been established to encourage shipowners in the Philippines to increase their fleets and to attract newcomers to the industry. The Government is to provide 100,000,000 pesos at the rate of 20,000,000 pesos annually for five years. With repayment spread over 20 years, the loans will cover up to 75 per cent of the capital required.

*

The International Bank for Reconstruction and Development made two loans to Pakistan totalling the equivalent of \$19 million in August last year, according to a supplement of the tenth annual report of the Bank.

NEW TRUCK & BUS TYRE



DUNLOP ROADSTER



- 1 STURDY TREAD
- 2 SUPPLE & STRONG CASING
- 3 MAXIMUM MILEAGE
- 4 IDEAL FOR RETREADS

TESTED AND PROVED ACROSS THE WORLD

DX-448

Special Articles:

REVENUE SURPLUSES AND THE PLAN

HOW much of the additional taxation levied this year is a direct contribution to the total additional revenues to be raised under the second Five-Year Plan? Or is the taxation, in whole or part, intended to cover only the deficits on the revenue account, without contributing to the resources for implementing the Plan? The general debate on the Budget in the Rajya Sabha indicated that this question is agitating quite a number of Members of Parliament. In the course of his reply to the discussion, the Finance Minister, Mr. Deshmukh, expressed the view that "taxation has no concern with.....capital expenditure". When asked why it should not have, Mr. Deshmukh gave the answer, "The principle is acceptable to me, but one must consider the capacity of the country from time to time."

It must, however, be pointed out that there is no necessity that there should be revenue surpluses if the revenue account is to contribute to the financing of the Plan, if any of the schemes in the Plan are met from revenues. Of the total expenditure of Rs. 4,800 crores contemplated in the Plan, only Rs. 3,800 crores is estimated to be investment outlay and Rs. 1,000 crores is estimated to be investment outlay of a current nature. If the principle of meeting current expenditure from current revenues is to be adhered to, the revenue accounts of the Central and State Governments should contribute Rs. 1,000 crores to the financing of the Plan. If just this amount of resources can be spared from current revenues towards the implementation of the Plan, the revenue budgets of the Central and State Governments should on balance show no surplus. But an examination of the resources programme indicated in the Draft Outline reveals that the Government expects only Rs. 800 crores from taxation sources—Rs. 350 crores from existing taxation and Rs. 450 crores from additional taxation—for the implementation of the Plan. Now, of course, the Finance Minister contemplates further additional taxation to the tune of Rs. 200 crores as a measure for partly filling the gap of Rs. 400 crores in resources for the Plan. In fact this is the extra tax effort which will be required of the country, apart from what has been mentioned in the Draft Outline, if we are to avoid drawing on capital resources for meeting revenue expenditure.

One reason why so much emphasis is being placed on the contribution of the revenue account to resources for the Plan is the considerable surpluses which the Central Budget, in the last five years, made available to the capital budget over and above the developmental expenditure of a current nature (which is part of the Plan) shown in the revenue budget. The further fact that there were surpluses where, in fact, deficits had been expected or the surpluses were far in excess of those anticipated has led to the belief that there can be no deficit on revenue account in the Central Budget. The following table gives an indication of the Central revenue account's contribution to the Plan:

SURPLUS (OR DEFICIT) ON REVENUE ACCOUNT

Year	(In Rs. crores)		
	Budget Estimates	Revised Estimates	Actual
1951-52	26.10	92.61	141.30
1952-53	3.73	-4.21	38.93
1953-54	0.45	-16.96	8.50
1954-55	-15.36	-5.00	33.51
1955-56	-17.35	12.31	..
	-2.43	78.75	222.24

The surplus in the first year was largely the result of the windfall under the Korean boom, which caused a great increase in receipts from customs duties. As regards the other years, the Finance Minister explained that the somewhat higher provisions in the budget in comparison with actuals was due to the fact that he wanted to give the administrative Ministries a chance to do their best, so that they should not later complain that they were hampered by lack of finance. But the spending Ministries have gained some experience during the last few years and it is unlikely that such considerable shortfalls as have been witnessed so far will occur again. The transfer of a part of excise revenues to States since 1953-54 has transferred a part of the responsibility about resources to the States.

Though the total surplus on the revenue account in the first Plan was around Rs. 230 crores, that not much significance could be attached to this figure was indicated by the Finance Minister in the Rajya Sabha last week when he said, "I keep on transferring expenditure from revenue to capital and from capital to revenue". Apart from this difficulty in estimating the precise surplus or deficit on revenue account, there is also difficulty in estimating the exact contribution of the revenue account to expenditure on the Plan. The Explanatory Memorandum on the Budget for 1956-57 mentions that expenditure on development schemes from out of the revenue account will amount to Rs. 97.8 crores, but not all of this is expenditure included in the Plan. The Finance Minister confessed that "we have not been able to point out which is the new development expenditure even as portrayed in the Central Budget and which is old expenditure which will not be regarded as part of the Plan". Similar difficulty is encountered in regard to the last five years also. Until there is some precision in the budgetary procedures, it is difficult to make exact calculations. The Plan-Frame had assumed that current developmental expenditure on continuing schemes outside the second Plan will be Rs. 1100 crores for both the Centre and the States. Since most of the development sectors which can be a charge on the revenue account, like education and health, are the responsibility of the States, a major portion of the current development outlay outside the Plan, it can be assumed, will be in the budgets of the State Governments.

An estimate of the probable magnitude of the current developmental expenditure on the Plan which will have to be financed from the revenue account of the Central Budget may be possible from the rate of growth of expenditure on the revenue account and its distribution as between developmental and non-developmental schemes:

EXPENDITURE PATTERN

	Amount (Rs. Crores)	Development Expenditure Per Cent	Non-development-Expenditure Per Cent
1950-51	337.88	4	96
1951-52	374.06	5	95
1952-53	396.18	7	93
1953-54	407.48	13	87
1954-55	422.62	16	84
1955-56	439.36	18	82
(Revised)			
1956-57	545.43	18	82
(Budget)			

The proportion of the expenditure devoted to development schemes has been steadily rising. Since the Centre does not have the responsibility of continuing to meet indefinitely current expenditure which developmental outlay will give rise to in the social service sectors, the proportion above five per cent can be roughly taken as contribution to the Plan. On this basis the contribution to the first Plan schemes will be about Rs. 130 crores. Figures for the second Plan will depend on the actual proportion of each year's budget which is devoted to the developmental sectors. If the percentage of 18 is kept up, a rough estimate will put the Central contribution to developmental schemes in the second Plan financed from current revenues at Rs. 450 crores, assuming also that total expenditure will rise at about the same rate as it did during last year. This will leave Rs. 550 crores of the current outlay in the second Plan for the States to finance. Which, of course, does not reflect the scale of additional tax effort—from existing sources as well as from new ones—required of the Centre and the States, as the States have been allotted the task of raising only Rs. 225 crores from new taxation.

All these considerations, however, leave unanswered the main question of the size of the tax effort needed

to contribute resources of the order assumed under the Plan—in addition to the amounts required to meet the increases in non-development revenue expenditure. Prima facie, the Finance Minister is budgeting for an actual revenue deficit, even after additional taxation of the order of Rs. 35 crores—so that a larger effort may be indicated if actual revenue surpluses equal to the total revenue resources required have to be raised. Apart from the normal possibilities of these estimates proving conservative by the emergence of an actual surplus in the final calculation and helping to finance capital expenditure, the concealed expenditure on plan items—like the grants to States for N.E.S. and community development of Rs. 14.27 crores or other grants for research—will be a measure of the contribution to the Plan. It is necessary that the precise relationship of the expenditure to the Plan must be clearly established to give a clearer picture of the effort now being made from all directions to achieve the targets of outlay—which have been expanded by the inclusion of many items that will be financed from revenue. Perhaps, the Finance Commission now set up will find it necessary to have such a picture before it can proceed to discharge its task of finding a basis for an allocation of finances in keeping with the assumptions of the Plan.

RAILWAY TRANSPORT CAPACITY

SOME concern, was expressed during the Railway debate in Parliament in regard to the ability of the railways to move in step with the developing tempo of the economy contemplated in the second Plan. Criticism was freely voiced that there were apprehensions to the effect that discrimination may be made in the allotment of transport capacity and the smaller units in business and industry may find themselves neglected. This criticism is the outcome of an obsession with the cut of about 25 per cent which the Planning Commission found itself constrained to make in the Railway Ministry's demand for outlay for the expansion of railways. There can certainly be no inflexibility about the funds that will be allotted to the railways from time to time, but apart from this consideration, there is a reasonable promise that the railways can be expected to put in a higher volume of productivity. This promise is based on the concrete achievement made by them in the first Five-Year Plan. With a modest increase made subsequently in the financial allocation above the original grant in the first Plan, the railways have demonstrated their ability to carry nearly double the volume of freight traffic of what was first anticipated. In terms of originating tons, the railways carried more than 19 per cent increased traffic in the first Plan as against the target of 10 per cent. It is important to recall in this context that this higher performance was shown with an increase of only 11.4 per cent in the total availability of wagon stock.

The railways have fixed for themselves a goal of an increase of 10 per cent in their operating efficiency each year during the second Plan. This goal may very likely be overreached, but the pre-condition of the provision of minimum of equipment and other resources must be fulfilled. In the course of the general debate on the Railway Budget, pointed attention was drawn to the shortcomings in the operations of the railways in respect of the speed of goods trains and the serious deterioration in the punctuality of passenger trains. The Railway Minister's reply on this specific point sought to explain away the decline on the ground that speed was retarded by the progress of major engineering works under construction on different sections and also by the pressure of increasing traffic. This explanation does not give the full and correct picture. Here, the Estimates Committee has thrown sufficient

light and in its Twenty-First Report it has drawn well-merited attention to the adverse effect on transport capacity produced by the inadequacy of physical resources. The report of the Committee will have served little purpose if advance action is not taken in two important matters. They relate to the renewal and strengthening of track and the supply of steel on an adequate scale.

The condition of track had been allowed to deteriorate to a serious extent well until the beginning of the first Plan. The programme of track renewal which



THE INDIAN OVERSEAS BANK LTD.
(Incorporated in India)

Central Office: Madras

General Manager: Mr. C. P. Doraiswami

Branches at:
Bombay Calcutta Madras
and throughout South India

OVERSEAS BRANCHES

Burma	Rangoon
Ceylon	Colombo
Malaya	Ipo, Kuala Lumpur,
	Penang, Singapore,
	Malacca
Thailand	Bangkok
	Hong Kong

agents & correspondents
all over the world

had to be planned on a modest scale due to exigencies of finance received a setback owing to shortage of materials, particularly steel and timber. The shortfall in the renewal programme necessitated a further tightening up of restrictions on the speed of trains. The deterioration in respect of speed restrictions is shown in the following table which gives the total mileage under restriction at the beginning of each financial year:

Year	Total Mileage
1952-53	1,695
1953-54	1,715
1954-55	1,820
1955-56	1,784

A relieving feature of this situation, however, was that the position on the broad-gauge lines was relatively better than the position on the metre-gauge sections. The fact, however, remains that these restrictions have an adverse effect on the flow of traffic. In the second Five-Year Plan the original targets of track renewal fixed by the Railway Ministry for the individual railways were as follows:

Railway	Mileage for Renewal
South Eastern	1,000
Southern	1,200
Central	1,400
Western	1,700
Northern	1,700
North Eastern	2,300
Eastern	700
GRAND TOTAL	10,000

This programme falls below the actual demands made by the individual railways. The total target of 10,000 miles of track renewal was fixed on the assumption that an allotment of Rs. 125 crores would be available for its implementation. This allotment has now been reduced to Rs. 100 crores. The reduction of 20 per cent must inevitably lead to a proportionate reduction in the target of renewal. In the course of the second Five-Year Plan, simultaneous action will have to be taken for a wide range of engineering constructional works on the lines. Another factor of which full cognizance needs to be taken is that there will be an increase of not less than 50 per cent in freight traffic and of 15 per cent in passenger traffic. The cumulative effect of the lower track renewal programme and the two retarding factors will be to lower the speed of goods trains in particular still further. In the event, the turnover of traffic on the railways may not come up to expectations. The prospect of imposing speed restrictions on more than 5 per cent of the total mileage presents a problem on which appropriate action is necessary from the beginning of the Plan.

The requirements of railways in respect of steel for a variety of purposes were never adequately met during the first Plan. In respect of this strategic material, the situation showed progressive deterioration from year to year and the extent of shortage of supply increased from 30 per cent of the requirements in 1951-52 to 49.7 per cent in 1954-55. This overall average figure of shortage for the entire railway system does not give a correct idea of the acute conditions which individual railways had to face. The Northern, South-Eastern, Southern, and in recent years the Central and Western, Railways had to face shortages in excess of 60 per cent of their demands. Estimates for the second Five-Year Plan indicate that the position will not be easy. In the last two years of the Plan, there is a prospect based on reasonable anticipations that the supply situation will return to normal. This should give some

satisfaction, but the apprehended shortages in the first three years require prior measures for elimination. The following table sets out the position of steel requirements and supplies in the first three years of the second Plan:

Year	Total Requirements	Indigenous Supplies	Imported Supplies at Pool Prices	Imported Supplies at World Prices
1956-57	769,000	300,000	200,000	269,000
1957-58	782,000	350,000	260,000	232,000
1958-59	798,000	540,000	200,000	58,000

The compulsion to import steel at world prices poses a difficult problem for the railways. It is quite clear from the modified outlay which has been approved in the Draft Outline that supplies of steel may threaten to be below requirements. An energetic search is being made to find alternative solutions. This is primarily a question for technical investigation. Studies made so far reveal that if the railways can make necessary adaptations and modifications in their requirements, Thomas Quality steel can be procured from abroad at cheap prices. Similarly Milli-Metre section steel which Russia has agreed to supply to the tune of 100,000 tons can be placed entirely at the disposal of the railways, subject again to necessary changes in the specifications of equipment. No estimate of the economy in expenditure which will be possible with the use of these two types of steel is available at present. But from the technical viewpoint it seems that the railways can make the required adaptations in their specifications. This conclusion should go a long way to remove shortage of steel.

THE BANK OF INDIA LIMITED.

(Established 7th September, 1906.)

CAPITAL SUBSCRIBED ..	Rs. 5,00,00,000
CAPITAL PAID-UP ..	2,50,00,000
RESERVE FUND ..	3,52,00,000

Head Office:
MAHATMA GANDHI ROAD, FORT, BOMBAY.

BRANCHES IN INDIA:

AHMEDABAD	Kalbadvi	JUNAGADH
Bhadra (Main Office)	Malabar Hill	KOZHIKODE
Ellis Bridge	CALCUTTA	MADRAS
Gandhi Road	23B Netaji Subhas	NAGPUR
Manek Chowk	Road (Main Office)	Kingsway
Station Branch	Bara Bazar	Itanagar Bazar
AMRITSAR	Chowringhee	NEW DELHI
BANGALORE	Square	PALANPUR
BHUJ (Kutch)	COIMBATORE	POONA
BOMBAY	DELHI	POONA CITY
Andheri	GANDHIDHAM	RAJKOT
Bandra	(Kutch)	SHOLAPUR
Bullion Exchange	HYDERABAD	SURAT
Colaba	(Deccan)	VERAVAL
	JAMSHEDPUR	

FOREIGN BRANCHES:

LONDON—17, Moorgate, London, E.C.2.
ADEN, DAR-ES-SALAAM, JINJA, KAMPALA,
KARACHI, MOMBASA, NAIROBI, OSAKA,
SINGAPORE, TOKYO.

DIRECTORS:

SIR COWASJEE JEHLANGIR, Baronet,
G.B.E., K.C.I.E. (Chairman)
MR. AMBALAL SARABHAI.
SIR JOSEPH KAY, K.B.E.
MR. DINSHA K. DAI.
MR. RAMNIWAS RAMNARAIN.
MR. BHAGVANDAS CHUNILAL MEHTA.
MR. KRISHNARAJ M. D. THACKERSEY.
MR. A. D. SHROFF.
MR. MADANMOHAN MANGALDAS

EVERY DESCRIPTION OF BANKING
BUSINESS UNDERTAKEN.

D. R. THOM, General Manager.

The Business World

LOK SABHA MUST BE WATCH-DOG OF TAXPAYERS' MONEY

By

CROESUS

CRORES and crores of rupees have been, and will be, invested in industrial undertakings in the Public Sector and crores and crores of rupees have been, and will be, given away as grants and loans to the State Governments for enabling them to finance their respective projects of developments, especially under the Five-Year Plans. Some Rs. 1,400 crores will be given by way of grants and loans to the States and nearly Rs. 115 crores will be invested in industries in the Public Sector by March 31, 1957. Moreover, from such data as are available, over Rs. 30 crores will be given as loans to public industrial undertakings only in the year 1956-57. Figures regarding the amounts invested in industries prior to 1951-52 and those regarding amounts advanced to industries prior to 1956-57 are not easily available. But there is no gainsaying the fact that these run into crores of rupees. The total taxpayers' money thus at stake exceeds 3½ times the amounts involved in the current budget! This means that the responsibility of the members of the Lok Sabha, who are answerable to the public for the just and proper use of these vast sums of money in the interest of the country and for the benefit of the people, has tremendously increased. They can ill afford, therefore, except at their own peril, to ignore their supreme duty to see that the object and the purpose for which money is used are fully realised.

After having said this, we would be failing in our duty if we did not, at the same time, refer to certain handicaps of even members who might be quite familiar with budgets. After all, these members can be expected to form their ideas only on the basis of the information supplied to them. Now, it cannot be certainly contended by the Government that the way in which it presents information in the budget is, even if comprehensive, easily intelligible to all. In order, therefore, to be more easily understood by all, the budget papers should contain, among others, a full statement giving information in regard to the amounts invested in, and the amounts given as grants and loans to, industries in the Public Sector. They should also contain the Balance-Sheets and Profit and Loss Accounts of these huge undertakings. They should further include such explanatory notes as would give a correct picture of the working of the industries in all their aspects. The investments in such public undertakings, it should be remembered, will exceed Rs. 1,000 crores before the second Plan period is over. Of course, one can understand that it will be difficult for the members of the Lok Sabha to deal with this question specifically at some length during the course of the discussion of the budget for considerations of time. Accordingly, it is suggested that, in future, a given number of days must be set aside, during the budget session, exclusively for discussing the working of these public undertakings from all points of view generally and, in particular, for ascertaining whether they are running with economy and efficiency

on sound business and commercial lines.

There is, for instance, the Hindustan Aircraft, which has a paid-up capital of Rs. 3.80 crores and a loan of Rs. 0.94 crores. This concern has made a profit of only Rs. 3.53 lakhs. I do not want to give the impression that the Hindustan Aircraft should make a tremendous profit, but I do want to say that, inasmuch as it is the declared policy of the Government that these undertakings in the public sector should run on commercial lines, it is essential to ensure that, after providing for all outgoings, depreciation, and taxation, they should yield a fair and legitimate surplus. Without achieving such a result, it will be difficult to place Indian economy on a permanently sound and stable basis. Let there be no mistake about this. It is in view of this, I say, a convention should be set up that the members of the Lok Sabha are given at least three days, during the session, for discharging their most important responsibility.

As I have stated above, nearly Rs. 1,400 crores will be given, by way of grants and loans, to the States by March 31, 1957. It is true that the States are autonomous bodies. So also is the Central Government with true sovereignty. And yet, it is well-known the International Bank will not lend money even to the Government of India without proper safeguards. Similarly, when the Central Government gives money to industries in the Private Sector, it takes care to nominate its own directors on the Board of such concerns. It will be perfectly legitimate for the Central Government, therefore, to call upon the States to render true reports of the manner in which these huge sums have been utilised by them (the States). These reports must come under the consideration and observation of the members of the Lok Sabha. In my opinion, it will be violating the elementary principles of democratic government if the Lok Sabha cannot have the ultimate say and control in regard to the use of all the sums of money which they grant or lend to the States. It is to be hoped, therefore, that, at least from next year, the budget papers would give this information and also include all such statements as would give the fullest information in regard to the public undertakings, as also in regard to the projects for which the States would utilise the money. The final control and consideration of the Lok Sabha in connection with the purpose and the manner in which these funds would be spent would not only create confidence in the country, but also strengthen the foundations of true democracy in the land.

In the light of what has been said so far, would it be too much to expect the members of the Lok Sabha, first, to press for obtaining the fullest information in regard to all these matters and, secondly, to secure an opportunity for enforcing their right and for giving their verdict in regard to the use of these enormous sums of the taxpayers' money?

THE BULLION PROBLEM

By

CROESUS

THE FORWARD MARKETS COMMISSION'S decision to examine the utility of forward trading in bullion has not naturally found favour with the bullion operators.

There are at present nearly 30 centres in India where forward trading in bullion is carried on. Serious doubts have been expressed in some quarters regarding

the very need for a hedge market in view of the absence of any substantial and continuous source of supply internally and the ban on private imports. But a section of the traders feels hopeful that at least Bombay would be allowed to have a forward market, even if it should be on a restricted scale, in view of the refining facilities available there and its status as a principal centre for ready supplies and demand.

Since the end of the Second World War, gold has been moving into the country almost at a rate reminiscent of the pre-1931 days, but in view of the import ban, imports have been taking place by smuggling. Gold smuggling is the combined result of an improvement in the economic condition of the agricultural population and the wide disparity between the internal and the external prices of gold of as much as Rs. 36 per fine tola. The current imports of gold are estimated at 1.25 million ozs. per annum, costing about Rs. 35 crores. This represents nearly six per cent of the estimated national savings and is a considerable proportion of the annual balance of payments deficits. Though the Sea Customs Act was amended in April 1955 to check gold smuggling further, there has been no appreciable difference in the availability of gold in bullion markets. This evidently indicates a waste of our foreign exchange resources, when the country is hard put to it to find enough capital even to finance its far more important development plans. It has been suggested that a more appropriate exchange valuation of the Indian rupee, which has remained stable at 1s. 6d. since 1927, would eliminate the price differential in gold and remove the present inducement for smuggling. In the place of gold, the community may then import more essential goods. Alternatively, the movement of gold might once again conform to the country's payment requirements.

The traditional importance of gold in the Indian economy cannot be overlooked. There is a hereditary preference on the part of a large number of people to invest either in real estate or bullion. Only about 10 per cent of the demand is for trade and industrial purposes, whereas the remaining 90 per cent is for

hoarding and making ornaments. This is not unnatural, considering that the investment habit is not widespread. Private investment in bullion is certainly unproductive since it does not result in the creation of wealth. Further, it is a handicap to the development of lesser industries, in which investment is lacking. The why people buy gold, as Keynes used to point out, is its remarkable capacity for inspiring confidence that somebody else is always prepared to accept it.

It has been argued that, if the world price of gold were raised, it would discourage hoarding for non-monetary purposes. But whether or not this salutary effect will be long-lived depends on the general economic condition of the country. If inflationary tendencies persist, the diversion of investment from gold will be but a temporary phase. If, on the other hand, a business recession sets in, considerable dishoarding may take place. In times of depression, however, bullion comes out from hoards even without a change in its price. It may be remembered that, during the twelve years following the devaluation of the sterling (and the rupee) in 1931, exports of gold from India totalled Rs. 377 crores, on an annual average of 3.6 million ozs. The exports were the combined result of the Great Depression, the inducement of the higher rupee prices, and the policy of linking the rupee to a fluctuating sterling at a rate which undervalued the Indian currency.

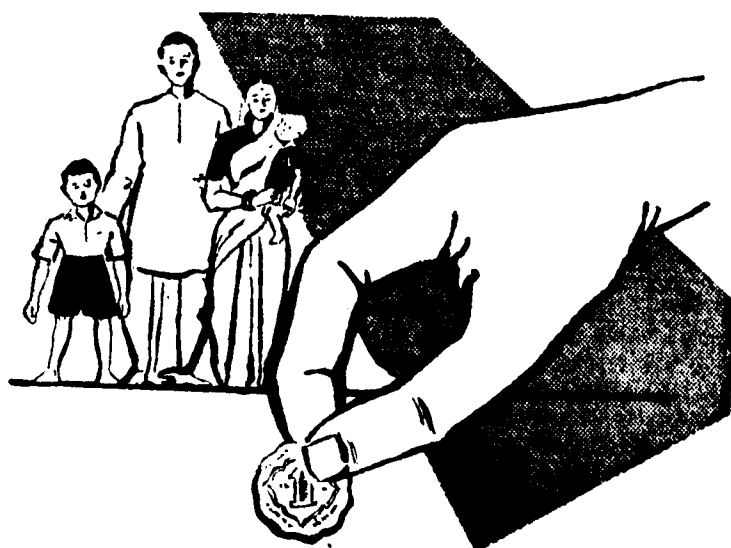
Recent pleas for an increase in the dollar price of gold have been turned down by the United States, probably because of the benefits which the Soviet bloc is bound to derive from it. The Soviet bloc's gold production is about 30 per cent of the world's total. The pattern of world gold stocks presents a similar picture. Valued at \$35 an oz., the Soviet monetary gold stock at the end of 1955 was larger than the combined gold reserves of Britain, Switzerland, Canada, Belgium, and Germany. The entire stocks of the Soviet bloc are estimated at \$7,250 million against \$12,700 million in the rest of the world.



Distributors:

M/S. Republic Electrical Co.,

16/25, Katra Baryan, Fathepuri, Delhi.



LET EVERY FAMILY SAVE *One anna more* PER DAY

If every Indian family decides to save even so small a sum as one anna more per day it will all add up to Rs. 13.5 crores in Small Savings per month and Rs. 162 crores a year. Small Savings by millions will help finance all our ambitious development programmes. Remember that National Savings Certificates and National Plan Certificates can be purchased for as small a sum as Rs. 5/-.

Invest in
GOVERNMENT OF INDIA

SMALL SAVINGS SCHEME

For further particulars and/or rules governing these investments please write to the National Savings Commissioner, Simla, or to the Regional National Savings Officer of your state.

12-YEAR
NATIONAL SAVINGS CERTIFICATES
10-YEAR
TREASURY SAVINGS DEPOSIT CERTIFICATES
10-YEAR
NATIONAL PLAN CERTIFICATES
15-YEAR
ANNUITY CERTIFICATES
POST OFFICE SAVINGS BANK DEPOSITS

DA 55/104

BUSINESS NOTES

GROUNDNUT FUTURES REOPEN

AFTER A lapse of thirteen years, futures trading in groundnut and groundnut oil is to be resumed in the country at Rajkot (Perhaps, by the time these lines appear in print, this would have been accomplished). The market at Rajkot will initially function through three rings for groundnut and two rings for groundnut oil. The Forward Markets Commission has been insistent that the transactions should be subjected to a ceiling and a floor in view of the Government's anxiety to keep down the prices of oilseeds and oils within reasonable limits. The authorities appear to consider these safeguards necessary also because of their desire to prevent corners and bear raids in articles of daily necessity.

Rajkot is one of the four centres in the country where the Forward Markets Commission has recommended the immediate establishment of futures trading in groundnut and groundnut oil, the other centres being Adoni, Madras, and Bombay. The recognised body for this purpose is the newly constituted Saurashtra Oils and Oilseeds Association. As regards continuing the five trading rings, it is said, the question would be re-examined at the end of the year in the light of the data that would then become available. In the Commission's report to the Government it is provided, 'inter alia', that the recognised association will have to grant facilities for membership and trading to the members of other associations in their respective regions and secure a minimum membership. The associations, in certain cases, will also have to obtain the concurrence of the Commission to the appointment of their Presidents.

The acreage under groundnut in the Saurashtra region is about 10 per cent of the total groundnut area in the country and the production in 1953-54 was about 2.5 lakh tons, or 7 per cent of the total production in India. Groundnut is the most important commercial crop in Saurashtra and accounts for 14 per cent of the total cultivated area. A large number of persons in the State depend upon forward trading for their livelihood due to the peculiarity of the region. Indeed, presumably, due to lack of industrial development and employment opportunities, forward trading has been going on at different centres for a number of years in this region, which was a conglomeration of about 200 States until recently, in one form or another.

The importance of establishing, at an early date, more centres in the country cannot be minimised. South India is by far the biggest groundnut-producing area in the country, and it is only proper that futures markets should be established there. Madras and Andhra account for 40 lakh acres or about 35 per cent of the total groundnut area in the whole country. The production of groundnut in the region is about 16 lakh tons or 45 per cent of this country's total production. Moreover, groundnut is the most important commercial crop in the region, the area under it accounting for about 12 per cent of the total cultivated area. The region is also the largest groundnut oil-producing area in the country. The production of groundnut oil in the region is estimated to be about 380,000 tons, i.e. about 48 per cent of the total production of groundnut oil in the country.

Futures trading in groundnut and groundnut oil is essential and the present time seems to be opportune for its resumption. All requirements which render a commodity suitable for futures trading are generally satisfied by groundnut. The crop is largers and the area under groundnut has been steadily increasing. Owing to the expansion of the crushing industry, the internal demand for groundnut also has increased. Both supply and demand are thus adequate to meet the needs of a futures market. Further, the second Plan envisages an

increase in production of all oilseeds of over 23 per cent.

INDUSTRIAL CREDIT AND INVESTMENT CORPORATION

NUMEROUS OFFICIAL enquiries in the past have emphasised the need for the establishment of a regular organisation for underwriting public issues of capital. It was hoped that the Industrial Finance Corporation would help in this objective. This was a difficult task, not least because of the volume of criticism which follows just choices by a Corporation of this kind. It is, therefore, all the more creditable that even during the short span of ten months from March 1955 the Industrial Credit and Investment Corporation of India Ltd. has found it possible to make an encouraging start in this direction. As on December 31, 1955, the contingent liability of the Corporation under guarantees and underwriting agreements for calls not yet paid on ordinary and preference shares was Rs. 23.07 lakhs; this is only a promise of things to come.

The first annual report of the ICIC shows a net profit of Rs. 25.23 lakhs, from which the Directors have appropriated Rs. 5 lakhs to general reserve and Rs. 10.58 lakhs to reserve for taxation, carrying forward Rs. 7.17 lakhs. The Corporation is to be congratulated on its good start.

As a matter of policy, the Corporation has refused to finance businesses run by partnerships or individuals. By the end of the year, the Directors had agreed to give financial assistance to 11 applicants while a further 25 applications were under examination. Of the propositions approved, five related to the underwriting of public issues of ordinary and preference capital, four called for direct subscriptions to ordinary or preference capital and two were requests for loans. The industries concerned were the manufacture of sugar, electrical equipment, fuel injection equipment, chemicals and equipment for the textile industry, metal ores and cotton spinning. The amounts which the Company agreed to provide ranged from approximately Rs. 5 lakhs to Rs. 1 crore. Loans against mortgages totalled Rs. 10.25 lakhs, investments in debentures Rs. 50.05 lakhs and in preference and ordinary shares of industrial companies Rs. 66.40 lakhs. During the first year of its operation—1949—it is of interest to remember here, the IFC had granted loans totalling Rs. 3.4 crores. This was followed by Rs. 3.77 crores in 1950, Rs. 2.39 crores in 1951 and Rs. 4.45 crores in 1952.

The paid-up capital of the ICIC is Rs. 5 crores against an authorised capital of Rs. 25 crores. During the year under review, the Corporation received an interest-free advance of Rs. 7.50 crores from the Government of India in terms of the agreement of 29th January, 1955.

THE BANK OF INDIA

THE RESULTS of the working of the Bank of India Limited during 1955 typify the upward trend in the operations of scheduled banks in the country. The Board of Directors can certainly claim credit for the marked improvement in the Bank's profit which rose by Rs. 8 lakhs to Rs. 85 lakhs in 1955 as compared to the preceding year. This figure has been arrived at after adequate appropriations under all essential heads. An interesting feature of the financial allocations in 1955 is the decision of the Board to pay a final increased dividend of 10 per cent free of income-tax. Together with the interim dividend of 6 per cent declared in August last, the total dividend which the shareholders will receive will add up to 16 per cent free of income-tax. The dividend will absorb Rs. 40 lakhs. The amount carried forward will be Rs. 13 lakhs, or Rs. 4 lakhs in excess of the amount of the previous year.

A pleasant announcement which the Chairman, Sir Cowasjee Jehangir, made at the last annual meeting

of the shareholders was the decision of the Board to issue bonus shares in the proportion of one bonus share of Rs. 50 fully-paid for each five shares of the Bank. The issue is intended to commemorate the golden jubilee which the Bank will celebrate this year. It is, of course, subject to the sanction of the Controller of Capital Issues. It will necessitate a transfer of Rs. 50 lakhs to capital from the Reserve Fund and the altered position will be that the paid-up capital will increase to Rs. 3 crores while the Reserve Fund will stand at Rs. 3.02 crores.

Sir Cowasjee Jehangir's speech makes a pointed reference to the effect of the higher rates of interest which banks have to pay on deposits. This liability is clearly an important ingredient in the rising expenses of banks. The inability of banks to charge higher rates in a corresponding proportion for interest on advances has created hardship with inevitable contraction of the margin of net earnings. The Chairman is of the view that this inability is due to the fact that the current Bank Rate which was fixed more than four years ago at 3½ per cent is out of tune with the prevailing market rates of interest, but banks find it imperative to relate their rates on advances to the Bank Rate.

DURGAPUR STEEL PROJECT

THE MINISTER for Iron and Steel, M. T. T. Krishnamachari, gave in the Lok Sabha on March 13, details of the broad agreement reached recently between the Government of India and the Indian Steelworks Construction Company Limited, London—a Consortium of British manufacturers—for the setting up of a steel plant at Durgapur. He said that the Durgapur Steel Works would produce about 300,000 tons of foundry grade pig-iron and 790,000 tons of medium structurals, blooms and billets for forging, billets for re-rollers, wheels, tyres and axles and sleepers. The steel melting and rolling capacity can be increased by 25 per cent with relatively minor additions to the plant. Steel will be made by the well-known straight open hearth process. There will be a wheel, tyre and axle plant, which is a separate and costly unit, to meet the requirements of the railways for these products.

The plant, machinery and equipment and a considerable part of the steel structures, refractories and other materials required for the works will be supplied by the Indian Steelworks Construction Company. It will also carry out the entire work of construction and civil engineering at site under the supervision of the consulting engineers to the Government of India. Elaborate terms for final specifications and tenders (including final prices) to be submitted by the company by May 1956 and for civil engineering works to be done in India have been stipulated. The foreign exchange cost of the plant, equipment and materials is expected to be about £50 million. The cost in India of erection, civil engineering work, constructional material, etc., is expected to be about Rs. 39 crores. A syndicate of British banks has agreed to give credits to the extent of £11½ million towards financing part of the foreign exchange cost of the plant. The rate of interest will be 1 per cent over the prevailing United Kingdom bank rate. The United Kingdom Government has agreed to give the Government of India a loan of £15 million. The rate of interest will be the rate at which the United Kingdom Government can borrow in the market plus a small element to cover administrative charges. Both these credits will be used for making payments to the suppliers during the latter half of the second Five-Year Plan. The payments during the first two years or so of construction will be made out of India's own resources.

COAL WASHERY PLANT AT KARGALI/BOKARO

THE ACCENT on an ambitious programme of expansion of steel production in this country has necessitated a quick decision on the installation of a plant for wash-

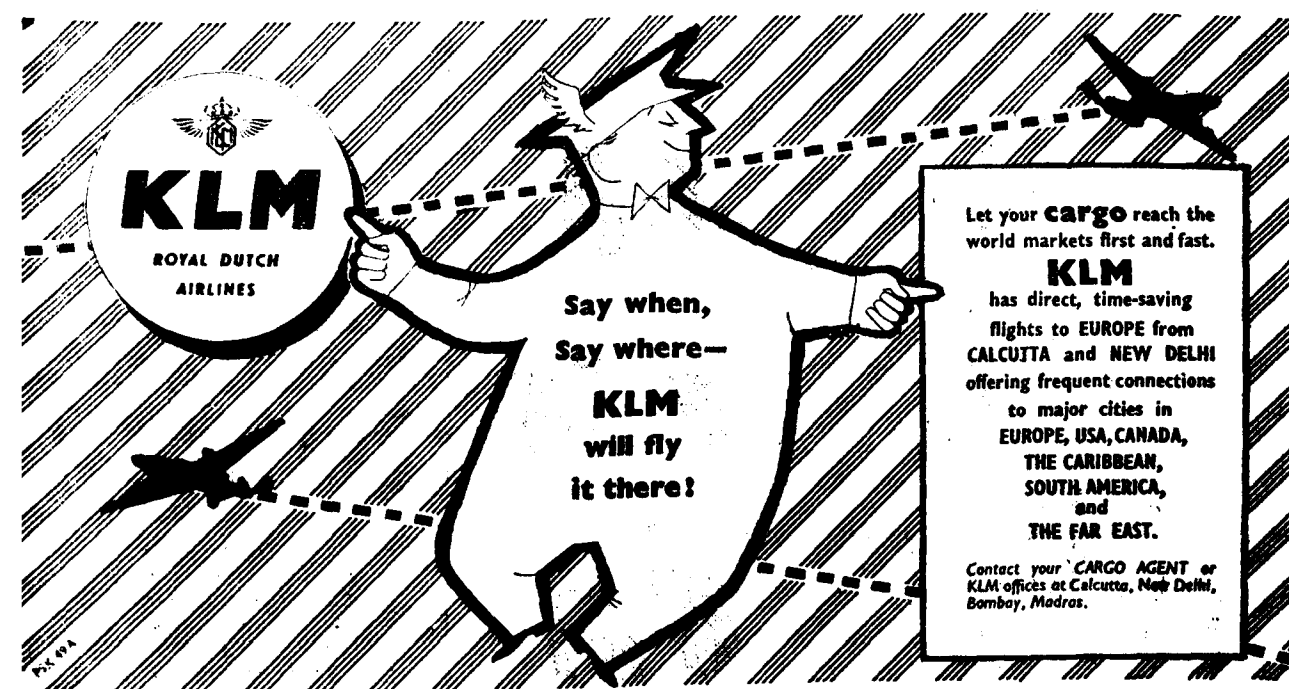
ing coal. During the second Five-Year Plan the minimum requirements of clean washed coking coal will be of the order of 11.41 million tons which will be equivalent to 16.5 million tons of raw coal. Of the quantity of 11.41 million tons of processed coking coal, the share of the steel industry will be 9.73 million tons. The magnitude of this imperative demand has led the Government to make a decision that generally all coking coal shall be washed. The location of the new State coal washery plant has been fixed at Kargali/Bokaro colliery in Bihar.

The Eastern Equipment and Sales Limited have been awarded the order for the coal washing plant with a capacity of 2,220,000 tons per year. This plant will be supplied by the Daiichi Bussan Kaisha, of Tokyo, who are successors to Japan's former biggest Zaibutsu, Mitsui Bussan Kaisha. The tender has been accepted on conditions of a firm price and fixed delivery time. It is to be a turn key job. The washery plant will be in operation by January 1, 1958, well in advance of the time when the Rourkela steel plant goes into production. The full requirements of washed coal of Rourkela plant and part of the requirements of Bhilai plant will be met by this washery. The total cost of the plant will be Rs. 1.66 crores. The designing and other planning for the plant will be made by Nagata Seisa Kusho, a Japanese firm with years of experience in designing of coal washery plants. Another collaborator in this project of plant supply will be Sumitomo Machinery Company, who have a technical agreement with WEMCO of the United States. WEMCO mobil mills are being used in 106 plants which adopt the American Cymenide Company process for separation of coals, iron ores and so forth. The significance of the selection of a Japanese-erected plant will be appreciated when it is recalled that Japanese plants are specially designed for washing coals with a very high ash content which is a characteristic feature of Indian coals.

MANUFACTURE OF STEEL TUBES

THE INDIAN TUBE COMPANY (1953) Limited, whose formal opening was performed by Dr. Sri Krishna Sinha, Chief Minister of Bihar, at Jamshedpur on 7th March last, is the first venture of its kind in this country. It is yet another illustration of fruitful co-operation between Indian and British industry. The joint partners in this venture are Messrs. Tata Iron and Steel Company and their associates who hold 60 per cent shares of the company and Messrs. Stewarts and Lloyds of Great Britain, premier manufacturers of steel tubes, who hold the remaining 40 per cent shares. The formal agreement for the Company was signed in 1950. It is significant that the construction of the first plant of the Company, in a series of three, which was started at the fag-end of 1952 was completed in record time.

The first plant is the Fretz Moon Plant for the manufacture of steel tubes in varying sizes from ½" nominal bore to 3" nominal bore intended for water and gas supply and for low pressure steam piping. This plant, which is named after the technical process it will adopt in its manufacture, has an annual capacity of 90,000 tons whose length equivalent is 12,000 miles. Its cost is Rs. 3 crores. Tata's Skelp Mill with a yearly capacity of 200,000 tons, will supply the strip required for tube manufacture in the form of coils. Construction for the second plant was started recently. This plant with an annual capacity of 13,000 tons of tubes per annum on a double shift basis will be completed by 1957. It will manufacture steel tubes of higher quality required by the bicycle industry and for use in boilers. The second plant will be an electric resistance weld plant with cold rollings. The third will be the seamless tube plant which will cater to defence requirements as well as to requirements of tubes for high pressure work. The three plants together will satisfy all the Indian requirements of tubes except for a small demand for tubes of diameter larger than 6.5/8".



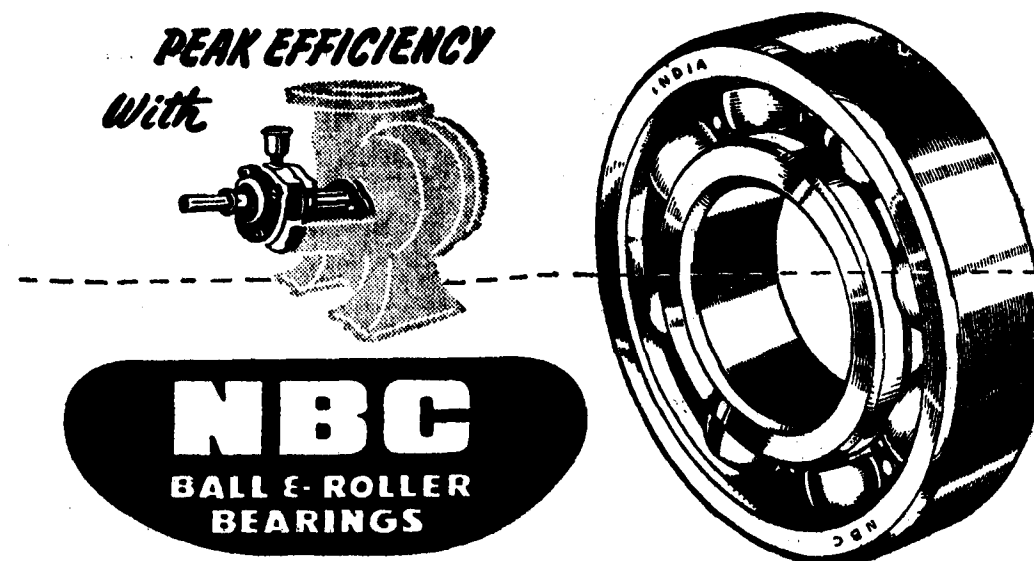
KLM
ROYAL DUTCH
AIRLINES

Say when,
Say where—
KLM
will fly
it there!

Let your **CARGO** reach the world markets first and fast.

KLM has direct, time-saving flights to **EUROPE** from **CALCUTTA** and **NEW DELHI** offering frequent connections to major cities in **EUROPE, USA, CANADA, THE CARIBBEAN, SOUTH AMERICA, and THE FAR EAST.**

Contact your **CARGO AGENT** or KLM offices at **Calcutta, New Delhi, Bombay, Madras.**



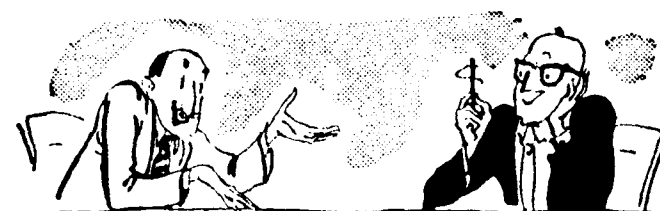
PEAK EFFICIENCY
With

NBC
BALL & ROLLER
BEARINGS

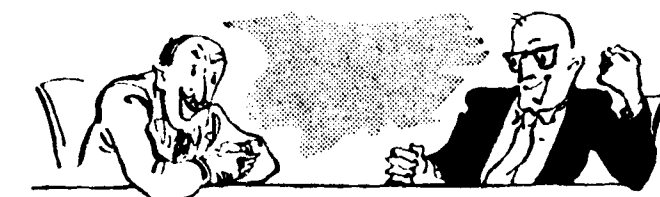
Centrifugal pumps give trouble-free service when fitted with NBC bearings.

NATIONAL BEARING CO., LTD. JAIPUR, RAJASTHAN
STOCKISTS:

M/s. H. M. Doyal & Co., 55, G. B. Road, DELHI.
M/s. S. C. Kumar & Co., 59, G. B. Road, DELHI.



There is
only one answer
to that discussion...



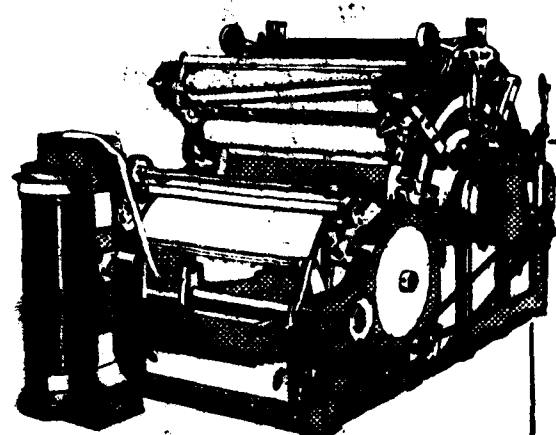
**SHALIMAR
SUPERLAC**

**SYNTHETIC
ENAMEL**

For interior, exterior use
on almost any surface,
wood, metal, stone; hard
drying, quick drying,
brilliant lustre. Will
stand repeated cleaning.

SHALIMAR PAINT, COLOUR & VARNISH COMPANY, LIMITED
CALCUTTA • BOMBAY • MADRAS • NEW DELHI • KANPUR

MMC revolving flat cards



are now being extensively used
in Textile Mills in India.

Outstanding features

1. Five distinct setting points, used singly or in combination, to control setting to .001 inch.
2. Johnson bronze bearings, for cylinders and doffers. Roller bearings to cylinder; ball bearings to doffer and ball bearing comb box also provided as optional equipment.
3. Ball bearings to lick-in pedestals.
4. Self-lubricating 'Olite' bearings at several locations.
5. William's patent stripping motion for flats.
6. Drop lever with new disengaging handle.
7. Fluted lap roller with positive gear drive from feed roll helps uniform feed of lap at the back with minimum possible stretching.
8. Cards can be geared for any production in a mill organization.

Machinery Manufacturers Corporation Ltd.

Factory: Sonai Works, Kidderpore, Calcutta 23.

Managing Agents:

MANINDRA & MANINDRA LIMITED

Head Office: Gateway Building, Apollo Bunder, Bombay.
Calcutta Office: Hall & Anderson Building, Park Street.

PSMME-3AM

COMMODITY NEWS AND NOTES

US COTTON DISPOSAL PLAN

The US Agricultural Department has announced that it would start selling its surplus cotton with effect from August 1, 1956. This is, of course, in continuation of the surplus cotton disposal plan already underway since January last. The new programme, however, emphasises that sales of cotton will be made on a competitive basis. An assurance has also been given by the US Secretary of Agriculture to the cotton markets overseas of an ordinary disposal of this cotton with a view evidently not to disrupt world cotton prices according to the Agriculture Secretary. He is led to believe that, inasmuch as the prevailing price depression was in anticipation of this should make little difference to the competitive situation of the domestic textile manufacturers. As the ultimate aim of the surplus disposal plan is to regain the US share of the world cotton market, it is quite likely that this scheme would be more or less a continuing programme. Hope has been expressed by the US Agriculture Secretary that American Cotton sales overseas will shortly hit the five million bale mark. Although it is true that actual sales of this cotton cannot start before August 1, 1956, this early announcement has been made with a view to facilitating domestic cotton interests as well as foreign users of cotton to make their own arrangement for forward sales and purchases.

SUGAR PRICES

It was anticipated by speculators that an excise duty would be levied in the Budget proposals. The stocks were hoarded and as a result of it prices went up. It was only when the two State Governments imposed a duty on sugar that these rumours subsided. The absence of excise duty on sugar in the Budget proposals brought great relief to the industry and the trade generally. As an immediate reaction to the Union Budget, sugar prices have fallen from As. 8-6 to a rupee per maund in various centres. Production in 1955-56 is expected to be 16.68 lakh tons as compared with the actual production of 15.9 lakh tons in 1954-55 season. This coupled with release of stocks is likely to have a bearish effect on prices. The Government's recent decision to reduce the selling price of British refined and French sugar from Rs. 30-8 to Rs. 29-8 per maund for ex-godown delivery at Poona, Indore, Ujjain, Jaipur, Jamshedpur and Ratlam is expected to extenuate the bearish tendency.

US PRODUCTION OF SYNTHETIC RUBBER

US production of synthetic rubber in January 1956 was at a record level of 93,485 tons compared with 69,929 tons in January, 1955, and 90,319 tons in December, 1955. The combined US consumption of natural and synthetic rubber in January 1956 amounted to 133,335 tons, against 124,508 tons in December 1955 and 125,290 tons in January 1955.

FIRST ESTIMATE OF GRAM

According to the Directorate of Economics and Statistics the All-India first estimate of gram for 1955-56 puts the current year's area at 22,185,000 acres, as against the adjusted corresponding first estimate of 19,657,000 acres during 1954-55. This shows an increase of 2,528,000 acres or 12.9 per cent over last year. The increase in area during the current year has been reported by almost all the main growing States. The increase is particularly marked in Bihar, Punjab, Uttar Pradesh, Hyderabad, Pepsu and Rajasthan and has been attributed generally to favourable climatic conditions at the time of sowing. This estimate generally covers the period up to the beginning of January 1956.

FIRST ESTIMATE OF TOBACCO

According to the Directorate of Economics and Statistics Union Ministry of Food and Agriculture, the all-India first estimate of tobacco for 1955-56 puts the current year's area at 807,000 acres as against the adjusted first estimate of 798,000 acres for 1954-55. Thus the current year's estimate shows an increase of 9,000 acres or just one per cent in area over last year. The increase in area has mainly occurred in Andhra, Bombay and Hyderabad due to favourable weather conditions at the time of sowing. The increase in area under tobacco in these States was, however, offset to a large extent by the decrease recorded in Bihar. Past experience has shown that the area at the first estimate stage forms roughly 90 per cent of the area under the crop finally reported.

FUTURE TRADING IN OIL AND SEED

After a lapse of nearly 13 years future trading in groundnut and groundnut oil was resumed in the country at Rajkot from March 7, according to an announcement by the Forward Markets Commission. The Government of India, on recommendation of the Commission has granted recognition to the Saurashtra Oil and Oilseeds Association for conducting forward trading in groundnut and groundnut oil.

**THE
HIND
BANK
LTD.**

4, Brabourne Road, Calcutta-1.

FOR COMPLETE BANKING SERVICE

SUBSCRIBED CAPITAL . Rs. 1,00,00,000

PAID-UP CAPITAL . . . Rs. 50,00,000

RESERVE FUND Rs. 26,00,000

Connections in all principal
centres of the world

Chairman **Mr. K. P. GOENKA** General Manager **Mr. S. D. PARDIWALLA**

COMPANY AFFAIRS

THE KOHINOOR MILLS CO., LTD.

The Directors' Annual Report on the affairs of the Company and the Audited Accounts for the year ended December 31, 1955, show that the profit for the year, after deducting depreciation amounting to Rs. 6,32,652 was Rs. 31,21,795

Add—Balance brought forward from last year 12,185
Rs. 31,33,980

Less—Amount paid as ad-interim dividend on 23-9-1955 at the rate of Rs. 6 per share, free of income-tax Rs. 6,00,000
Rs. 25,33,980

From this amount, the Directors have appropriated:

To Provision for Taxation Rs. 8,50,000
To Development Reserve " 3,00,000
To Employees' Pension and Gratuity Fund 1,50,000
To Payment of a proposed final dividend at the rate of Rs. 12 per share, free of income-tax 12,00,000 Rs. 25,00,000

Leaving to be carried forward to next year's accounts Rs. 33,980

Cotton prices remained steady in the early part of the year but declined somewhat before the start of the cotton season as the crop was expected to be about 55 lakh bales which would have amply covered all demands. However, due to unseasonal rains, crops in some parts suffered a setback and this had the effect of pushing up the prices of all indigenous growths which were higher at the close of the year than the previous year. Foreign cotton remained fairly steady throughout the year with a slight tendency to harden towards the close of the financial year. Cloth prices and offtake were well maintained during the year but there was a definite slump in the prices and demand for yarn and it was only in the last quarter of the year that a slight recovery was noticeable and the demand improved.

THE BUCKINGHAM AND CARNATIC CO., LTD.

The result of the Company's working for the year ended December 31, 1955, after allowing Rs. 30,40,035 for Depreciation but before providing for Taxation and Bonus to Employees is a profit of Rs. 1,01,66,075

Add—Unappropriated Profit brought forward 2,69,005

TOTAL Rs. 1,04,35,080

The Directors have made the following payments:

Dividend of Rs. 3-12 per share on the 7½ per cent Cumulative Preference Shares for the half-year ended June 30, 1955 Rs. 79,883
Interim Dividend of Rs. 4 per share on the Ordinary Shares for the half-year ended June 30, 1955, free of income-tax 7,13,912
Dividend of Rs. 3-12 per share on the 7½ per cent Cumulative Preference

Shares for the half-year ended December 31, 1955 Rs. 79,883

The Directors propose to deal with the balance as follows:

To Provision for Taxation Rs. 39,00,000
To Bonus to Employees for the year 1955 20,52,394
To Debenture Redemption Fund 9,00,000
To General Reserve 10,00,000
To Raw Materials Fluctuation Reserve 75,000
To Fire, Accident and Insurance Reserve 2,13,594
To pay a final Dividend of Rs. 6 per share on the Ordinary Shares for the year ended December 31, 1955, free of income-tax 10,70,868
To Superannuation Fund 1,11,101
And to carry forward 2,38,445

TOTAL Rs. 1,04,35,080

With the completion of the New Weaving Shed, the Power House, and the progress made in the Machinery Replacement programme, production and efficiency improved during the year, and this is reflected in the Profit and Loss Account where sale proceeds of cloth, yarn and waste increased by approximately Rs. 56,70,000 when compared with the previous year.

In spite of import restrictions in some overseas markets, and keen competition in those markets generally, the Company has again succeeded in exporting a substantial part of its production.

THE GANGES MANUFACTURING CO., LTD.

The Directors' Report and the Audited Accounts of the Company for the half-year ended September 30, 1955, show the Profit on Revenue Account Rs. 10,930

Adding thereto:

Share Transfer and Sub-Division Fees	945	
Unclaimed Dividend forfeited	2,356	
Rebate on Foodstuffs	1,560	
Provision for Doubtful Debts no longer required	1,545	
Profit on Sales of Capital Assets	2,000	8,406
		19,336

And deducting:

Retiral Gratuities to Workers	33,628	
Depreciation	3,00,000	3,33,628

The Debit balance is 3,14,292
Deducting the amount brought forward 1,23,024
1,91,268

And Transferring from Reserve for Machinery Renewal and Replacement 3,00,000

There is available for disposal 1,08,732

The Directors propose the payment of a dividend on Preference Shares of Rs. 4 per share or 8 per cent per annum which will absorb Rs. 24,000, leaving to be carried forward Rs. 84,732.

Profitable working during the period under review was difficult with the raw jute supply position maintaining prices at uneconomical levels in relation to those of finished goods which during the period fell sharply. Following on the labour disturbances at the Mills in March, 1955, when it was found necessary to close the Mill for some days, relations between management and labour were slow to return to normal and the Mill's efficiency suffered in consequence.

THE UNITED COMMERCIAL BANK, LIMITED.

(Incorporated on 6th January, 1943.)

THIRTEENTH REPORT

OF THE

BOARD OF DIRECTORS

The Directors submit to the shareholders the Audited Balance Sheet of the Bank as on, and the Profit and Loss Account for the year ended, 31st December, 1955.

The net profit for the year, after providing for all known and anticipated charges and including Rs. 1,08,724-8-9 brought forward from the previous account, amounts to Rs. 37,77,761 2 0

The Directors have made the following appropriations out of the net profit:

1. Transfer to Reserve Fund	Rs. 8,50,000 0 0
2. Provision for Taxes	" 14,00,000 0 0
3. Provision for Bonus to Staff	" 4,00,000 0 0
4. Balance	" 11,27,761 2 0
	Rs. 37,77,761 2 0

Out of the balance of Rs. 11,27,761-2-0 the Directors recommend to the shareholders payment of Dividend at Rs. 2-12-0 per share, free of Income-tax, which will absorb Rs. 11,00,000 leaving Rs. 27,761-2-0 to be carried forward to the next year's account.

The Bank's business has shown a gratifying expansion during the year. The profit for the year 1955 is higher than that of the preceding year due largely to the fact that the deposits of the Bank had shown a substantial increase during the year. Your Directors consider the working of the Bank and the profits for the year as satisfactory. The Bank's investments appear in the balance sheet at below market value.

During the year your Bank took over the business of the Pondicherry branch of the Banque de L'Indochine.

On his appointment as a Director of the State Bank of India, Mr. R. G. Saraiya resigned his seat on the Bank's Board. The Directors wish to place on record their appreciation of the valuable services rendered by him as Director since the inception of the Bank.

The Directors have to report with great sorrow the death in August 1955 of Mr. Navinchandra Mafatlal who was a Director of the Bank since its inception and had contributed greatly to the building up of the Bank. He was held in high esteem and respect by his colleagues and the Directors desire to place on record their high appreciation of the great service rendered by Mr. Navinchandra Mafatlal during his long period of office.

In the vacancies caused by the resignation of Mr. R. G. Saraiya and the death of Mr. B. N. Jalan and Mr. Navinchandra Mafatlal the Directors have appointed Mr. Yogindra N. Mafatlal, Mr. G. D. Kothari and Mr. T. S. Rajam respectively as Directors of the Bank.

The Directors have also to report to you changes in the general management of the Bank. Mr. B. T. Thakur, who was the General Manager since the inception of the Bank, resigned, on grounds of health, from the chief executive charge of the Bank in April 1955 and requested that he be allowed to go on long leave preparatory to retirement. In view of the medical advice received by Mr. Thakur the Directors accepted his resignation with reluctance and regret. The Directors place on record their high appreciation of his service in building up the Bank to its present position, size and strength within a comparatively short period and wish him happiness and restoration to normal health.

The Directors have appointed Mr. S. T. Sadasivan as General Manager in succession to Mr. B. T. Thakur and promoted Mr. R. B. Shah and Mr. O. H. Gheewala as Deputy General Managers of the Bank.

The Directors place on record their appreciation of the services of the General Manager and the officers and staff of the Bank during the year.

Under Article 95 of the Bank's Articles of Association four of your Directors,

Shri M. L. SHAH
Shri G. L. BANGUR
Shri P. D. HIMATSINGKA
Shri M. L. DAHANUKAR

retire by rotation, and, being eligible, offer themselves for re-election.

The Shareholders are requested to appoint auditors for the current year and to fix their remuneration.

CALCUTTA,
February 15, 1956.

By Order of the Board,
I. P. GOENKA
Vice-Chairman

The United Commercial

Balance Sheet as at

CAPITAL AND LIABILITIES		Rs.	As. Ps.	Rs.	As. Ps.
1. CAPITAL :					
Authorised Capital: 8 lacs shares of Rs. 100 each ..	8,00,00,000	0	0		
Issued and Subscribed Capital: 4 lacs shares of Rs. 100 each	4,00,00,000	0	0		
Amount Called up: 4 lacs shares at Rs. 50 per share				2,00,00,000	0 0
2. RESERVE FUND AND OTHER RESERVES :					
Reserve Fund (including that under Sec. 17 of the Banking Companies Act)				95,00,000	0 0
3. DEPOSITS AND OTHER ACCOUNTS :					
Fixed Deposits	19,53,83,974	4	4		
Savings Bank Deposits	4,51,03,194	15	1		
Current Accounts, Contingency Accounts, etc. ..	23,64,32,225	3	5	47,69,24,394	6 10
4. BORROWINGS FROM OTHER BANKING COMPANIES, AGENTS, ETC. :					
(I) In India	4,05,50,000	0	0		
(II) Outside India	20,06,538	12	8	4,25,56,538	12 8
Particulars :					
(I) Secured by part of Investments per contra	4,24,15,284	11	2		
(II) Unsecured	1,41,254	1	6		
5. BILLS PAYABLE					
				60,78,407	0 5
6. BILLS FOR COLLECTION BEING BILLS RECEIVABLE as per contra :					
(I) Payable in India	2,40,27,476	6	1		
(II) Payable outside India	2,86,96,813	8	9	5,27,24,289	14 10
7. OTHER LIABILITIES :					
(I) Branch adjustments	1,73,75,719	5	2		
(II) Unclaimed Dividends etc.	2,34,189	14	1	1,76,09,909	3 3
8. ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS per contra					
				19,03,53,101	3 11
9. PROFIT AND LOSS :					
Profit as per last balance sheet	11,08,724	8	9		
Less Dividend	10,00,000	0	0		
	1,08,724	8	9		
Add Profit for the year (Subject to Taxation) ..	36,69,036	9	3		
	37,77,761	2	0		
Less Appropriations made :					
To Reserve Funds .. Rs. 8,50,000	0	0			
To Reserve for Taxation .. Rs. 14,00,000	0	0			
To Bonus to Staff .. Rs. 4,00,000	0	0	26,50,000	0	0
				11,27,761	2 0

Bank, Limited.

31st December, 1955.

PROPERTY AND ASSETS		Rs.	As. Ps.	Rs.	As. Ps.
1. CASH :					
In hand and with Reserve Bank and State Bank of India (Including foreign currency notes) ..				3,99,64,035	13 11
2. BALANCES WITH OTHER BANKS :					
(Including Foreign Government Treasuries)					
On current account				8,97,991	3 9
(i) In India				1,90,54,159	4 8
(ii) Outside India					
				22,00,000	0 0
3. MONEY AT CALL AND SHORT NOTICE ..					
				6,21,16,186	6 4
4. INVESTMENTS: (at below market value) ..					
(i) Securities of Central and State Governments and other Trustee Securities, including Treasury Bills of the Central and State Governments				19,55,86,864	7 5
(ii) Shares :					
Fully paid preference shares Rs. 45,812 0 0				30,64,434	3 9
Fully paid ordinary shares Rs. 30,18,621 11 9				14,25,000	0 0
(iii) Debentures or Bonds					
(iv) Securities of the U.S.A., Burma, Malaya and Pakistan Governments and Foreign Trustee Securities				2,15,97,193	10 10
(v) Gold					
				22,16,73,492	6 0
(Government Securities of the face value of Rs. 4,36,000/- have been lodged with the Reserve Bank of India for guarantees and other obligations.)					
6. ADVANCES :*					
(other than bad and doubtful debts for which provision has been made to the satisfaction of the auditors)					
(I) Loans, Cash Credits, Overdrafts, etc. :					
(i) In India .. Rs. 16,36,73,872 15 10				17,85,31,426	6 5
(ii) Outside India .. Rs. 1,48,57,553 6 7					
(II) Bills Discounted and Purchased (excluding Treasury Bills of the Central and State Governments)					
(i) Payable in India .. Rs. 4,77,63,064 0 0				9,73,87,745	12 10
(ii) Payable outside India Rs. 4,96,24,681 7 7					
				27,59,19,172	3 3
Carried over ..				55,97,08,850	15 7

* For particulars, see the last page of the Balance Sheet.

The United Commercial Balance Sheet as at

CAPITAL AND LIABILITIES	Rs.	As. Ps.	Rs.	As. Ps.
Brought forward ..			81,68,74,401	11 11
10. CONTINGENT LIABILITIES :				
(i) Claims against the banking company not acknowledged as debts Rs. 4,71,107-10-0 .				
(ii) On Foreign Bills Re-discounted Rs. 2,21,913-7-0 of which up to 23-2-56 Rs. 2,11,961-5-4 have run off.				
(iii) Forward Exchange Contracts outstanding for the purchase and sale of Bills and Telegraphic Transfers Rs. 23,26,05,097-9-2 of which up to 23-2-56 Rs. 12,22,64,526-9-9 have been delivered.				
(iv) Bonus claims by employees for 1950, 1951 and 1952 not acknowledged as debts and disputed by the Bank before the respective Tribunals.				
(v) There is a liability for outstanding bills not certified by the architects in respect of construction work of Bank's building at New Delhi.				
TOTAL Rs. ..			81,68,74,401	11 11

Bank, Limited. 31st December. 1955.

PROPERTY AND ASSETS	Rs.	As. Ps.	Rs.	As. Ps.
Brought forward ..			55,97,08,850	15 7
6. BILLS RECEIVABLE BEING BILLS FOR COLLECTION as per contra :				
(i) Payable in India	2,40,27,476	6 1		
(ii) Payable outside India	2,86,96,813	8 9	5,27,24,289	14 10
7. CONSTITUENTS' LIABILITIES FOR ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS per contra			19,03,53,101	3 11
8. PREMISES LESS DEPRECIATION :				
Cost as per last balance sheet	14,62,256	2 9		
Additions (Rs. 4,64,095-14-0) Less deductions (Rs. 99,163-8-0) during the year	3,64,932	6 0		
	18,27,188	8 9	15,33,623	9 10
Less depreciation written off to date	2,93,564	14 11		
9. FURNITURE AND FIXTURES LESS DEPRECIATION : (Including vehicles and equipment)				
Cost as per last balance sheet	56,69,013	0 10		
Additions (Rs. 4,64,095-14-0) Less deductions (Rs. 2,81,817-3-1) during the year	2,86,080	15 2		
	59,55,094	0 0	25,43,437	3 0
Less depreciation written off to date	34,11,656	13 0		
10. OTHER ASSETS, INCLUDING SILVER :				
(i) Land and Buildings:				
Cost as per last balance sheet Rs. 15,14,905	11 2			
Additions during the year Rs. 6,38,219	5 3			
	Rs. 21,53,125	0 5		
Less depreciation written off to date	Rs. 1,65,174	7 2	19,87,950	9 3
(ii) Interest accrued on Investments	25,36,514	1 1		
(iii) Estimated amount of refund of Income-tax (Income-tax assessment for five years 1951 to 1955 not yet completed)	46,33,856	3 6		
(iv) Stamps, Stationery and Library	8,52,777	9 11		
(v) Silver			1,00,11,098	12 9
11. NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS				
12. PROFIT AND LOSS				

TOTAL Rs. ..

81,68,74,401 11 11

The United Commercial

Profit and Loss Account for the

EXPENDITURE	Rs.	As. Ps.
1. Interest paid on deposits, borrowings etc.	86,26,848	2 9
2. Salaries and allowances and Provident Fund including salaries and allowances of General Manager Rs. 93,000	78,93,141	5 3
3. Directors' (Rs. 32,200) and Local Committee members' fees and allowances	42,516	0 0
4. Rent, Taxes, Insurance, Lighting, etc.	11,53,161	11 9
5. Law charges	1,04,420	12 6
6. Postage, Telegrams and Stamps	5,09,336	6 7
7. Auditors' fees for statutory and periodical audits	96,357	13 5
8. Depreciation on and repairs to the Banking Company's property	7,06,333	9 5
9. Stationery, Printing, Advertisement, etc.	7,85,278	2 7
10. Loss from sale of or dealing with non-banking assets	..	..
11. Other Expenditure	7,81,443	14 2
12. Balance of Profit (Subject to Taxation)	36,69,036	9 3
TOTAL Rs.	2,43,70,376	8 1

Rs. 6,645-8-3 paid as law charges to a Solicitors' firm of which a director is a partner.

The above expenditure includes besides leave Salary of Rs. 64,000/-, a sum of Rs. 24,771/- being **ex-gratia** payments by way of allowances for ex-General Manager.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the foregoing Balance Sheet of The United Commercial Bank Limited as at 31st December, 1955 and also the foregoing Profit and Loss Account of the Bank for the year ended on that date, in which are incorporated the Branch returns audited by the Statutory or Local Auditors, and report that :—

(a) We have obtained all the information and explanations we have required and have found them to be satisfactory; (b) the transactions of the Bank which have come to our notice have been within the powers of the Bank; (c) the returns received from branch offices of the Bank have been found adequate for the purpose of the audit; (d) in our opinion, the foregoing Balance Sheet and Profit and Loss Account are drawn up in conformity with the law; (e) such Profit and Loss Account shows a true balance of profit for the year; (f) such Balance Sheet exhibits a true and correct view of the state of the affairs of the Bank according to the best of our information and the explanations given to us and as shown by the books of the Bank, and (g) in our opinion, books of account have been kept by the Bank as required by Section 130 of the Indian Companies Act, 1913.

CALCUTTA, 27th February, 1956.

G. P. KAPADIA & CO.)
K. N. GUTGUTIA & CO.) Chartered Accountants.
RAY & RAY)

Bank, Limited.

Year Ended 31st December, 1955.

INCOME (Less provision made during the year for bad and doubtful debts and other usual or necessary provisions)	Rs.	As. Ps.
1. Interest and Discount	1,63,89,714	13 1
2. Commission, Exchange and Brokerage	78,52,814	0 5
3. Rents	1,22,945	10 7
4. Net profit on sale of investments, gold and silver, land, premises and other assets	..	..
5. Net profit on revaluation of investments, gold and silver, land, premises and other assets	..	..
6. Income from non-banking assets, and profit from sale of or dealing with such assets	4,902	0 0
7. Other receipts	..	..
8. Loss	2,43,70,376	8 1
TOTAL RS.	..	..

Particulars of Advances :

(i) Debts considered good in respect of which the banking company is fully secured	Rs. 22,50,39,496	9 11	the case of private companies, as members : Fully Secured Rs. 2,21,02,072	1 2
(ii) Debts considered good for which the banking company holds no other security than the debtors' personal security	" 1,95,94,738	6 3	Secured by personal liability of borrowers Rs. 5,98,222	14 0
(iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	" 3,12,84,937	3 1	(vii) Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the banking company or any of them either severally or jointly with any other persons	Rs. 2,27,00,294
(iv) Debts considered doubtful or bad, not provided for	" Nil	..	(viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or, in the case of private companies, as members	15 2
TOTAL	Rs. 27,59,19,172	3 3	(ix) Due from banking companies	" 4,49,67,955
(v) Debts due by directors or officers of the banking company or any of them either severally or jointly with any other persons	Rs. Nil	..		11 11
(vi) Debts due by companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or, in	..	..		" 15,92,228

I. P. Goenka

A. C. Law

G. L. Bangur

P. D. Himatsingka

R. L. Nopany

M. L. Shah

Directors

M. R. Ruia

M. L. Dahanukar

M. L. Tapuriah

Y. N. Mafatlal

G. D. Kothari

T. S. Rajam

M. P. Birla

Directors

S. T. SADASIVAN
General Manager

P. R. SESHAN
Ag. Chief Accountant

Company Meeting

THE BANK OF INDIA LIMITED

Extracts from the Speech of the Chairman of the Bank of India Limited, Sir Cowasjee Jehangir, Baronet, G.B.E., K.C.I.E., delivered at the 50th Annual Ordinary General Meeting of the Shareholders of the Bank held at Bombay on Thursday, the 8th of March, 1956.

The year saw far-reaching events take place in the direction of state ownership and the progress towards a socialist state in India. Such events included the passing of the Finance Act, 1955, with drastic, and almost penal, increases in the taxes on salaries and incomes, the nationalisation of the Imperial Bank of India and the submission of the Companies Bill which has now become an Act. To an increasing degree the actions of the Government dominate business and the commitments of traders are more and more dependent upon their assessment of the probable future policies of the Government.

The new Companies Act, which was passed on the 18th of January last and comes into force from the 2nd of April, is a gigantic and voluminous piece of legislation which, I believe I am correct in saying, goes further in a number of respects than corresponding legislation in any other country. The Act would appear to have been drafted, to some extent, with regard to considerations other than those concerning only the needs of trade and industry and the interests of shareholders and investors. The comprehensive and far-reaching character of the legislation will give rise to many difficulties and there will be inconsistencies and incongruities and I think you will find that substantial amending legislation will have to be passed before the new Act has been in force for any length of time. The ramifications of the Act will call for much tolerance on the part of those administering it during, at least, the first months of its life.

Since the end of the year there has been a further major operation on the part of the Government which cannot but cause uneasiness. I refer to the nationalisation of life insurance business throughout the country on the 19th of January. It is not to our credit that this nationalisation should have been effected by the undemocratic method of an ordinance. The worst aspect of nationalisation is the unfair method of compensating shareholders for the value of their shares. This is being done under the amendments made in the Constitution on the 27th of April, 1955, by the Constitution (Fourth Amendment) Act, 1955. I know of an instance where the shares of a life insurance company have been valued by actuarial calculation at a certain amount and it is now well-known that, on the basis of the compensation indicated in the Bill which has followed the Ordinance, the Government intend to pay less than half that value. I do not think it was ever intended in a country governed under democratic principles that the Government should take advantage of the amendment of the Constitution to deprive shareholders of their legitimate dues, especially to such an extent as I have just mentioned.

Banks continue to suffer from having to pay higher rates of interest on deposits without being able to charge correspondingly higher rates of interest on advances. The establishment and over-head expenses of banks, which call for a large margin between the cost of money lodged and the yield on money lent, continue to expand.

The bank-rate, which has been 3½ per cent since the 15th of November, 1951, is out of gear with the current interest rates in this country. To obtain and keep deposits, banks must pay interest to depositors at market rates of interest which are governed by the supply and demand of money. On the other hand, banks usually grant advances at rates of interest related to the bank-rate. The rates of interest charged to borrowers consequently do not rise if the bank-rate remains stationary and lags behind current upward movements in the market rates of interest. In such conditions banks are paying increasing interest on deposits and getting very little more interest from advances.

The Bank's profits for 1955 are nearly Rs. 85 lakhs against Rs. 77 lakhs for 1954. Before the profit figure has been struck, usual appropriate and prudent provisions have been made and shareholders will, I feel sure, consider the increase of nearly Rs. 8 lakhs in the profits as eminently satisfactory.

The provision for taxation absorbs Rs. 25 lakhs against Rs. 29 lakhs last year. By reason of the revised taxation proposals in this year's Central Budget introduced last week on the 29th of February, the Bank's liability for tax will now be about Rs. 5 lakhs more than the provision, but that will be met in the current year's accounts.

Your Directors propose to place to the Bank's Land-Ed Property Account the sum of Rs. 3,00,000 and to pay an increased final dividend of 10 per cent, free of income-tax, absorbing Rs. 25 lakhs, and making, with the interim dividend of 6 per cent paid last August, a total of 16 per cent per annum, or Rs. 40 lakhs for the year, free of income-tax. The amount carried forward is increased at something over Rs. 13 lakhs against Rs. 9 lakhs a year ago.

I should like to refer to the Central Budget introduced in the Lok Sabha a week ago on the 29th of February. I must confess to a pessimistic view of the proposals. I might describe the Budget as one to make the poor poorer and the rich poor. Leaving aside China, about which we know little, India is one of the poorest countries in the world and, taking into consideration the size of its population, it has fewer rich men than any other country. We hear a great deal about the equalisation of wealth. Since the landed classes have already been more or less wiped out, I presume that this can only refer to the industrialists. Does the Government mean that these industrialists are of no service to the country and that they do not give employment to hundreds of thousands and serve the country in many other directions of which the Government are well aware. There is now an impression that the intention of the Government is to wipe out the private sector. Every obstruction is being placed in its way and when it is unable to fulfil the targets contemplated for it in the Five-Year Plans the Government may have an excuse for nationalising all industries.

The Budget has introduced the principle of double taxation. Dividends paid by companies above 6 per cent per annum on their paid-up capital are to be taxed. No distinction is made between companies recently brought into existence and companies of long standing which have been managed with efficiency and honesty and which have conserved their resources, enabling them to pay high dividends. All companies have already paid tax on their profits from which dividends are paid. This undoubtedly is double taxation, but, worse still, companies which intend to capitalise some of their accumulated profits on which they have already paid tax will have to pay tax again and companies which have already issued bonus shares from reserves which have been taxed will be taxed again on the dissolution of the companies. Again, the withdrawal of the rebate of 1 anna in the rupee on undistributed profits will cause a further drain on the resources of companies. The penal tax of 8 annas in the rupee on undistributed profits of investment companies which come under Section 23A of the Income-tax Act will preclude any ploughing back of their profits for financing the further development of the country. Also, it appears that all companies which come under Section 23A will fall within the mischief of the new dividends tax. This is grossly unfair as it means that the Government compel such companies to pay a very high dividend and then tax them for doing so.

Few outside India realise that India can claim to be one of the highest taxed countries in the world. The Government have included all sections in the orbit of taxation by increased excise duties. Formerly, deficit financing was unheard-of by financiers and economists. India has put into operation very big schemes by deficit financing. The success of these schemes will depend upon good administration and no corruption. It appears to me that the success of deficit financing mainly depends on getting value for money. Maladministration and corruption may frustrate the very foundation of deficit financing. I am only speaking aloud what I know thousands are saying in ordinary conversations.

Later in the year, the Bank will complete fifty years of its existence and shareholders may like to know the intentions of the Directors regarding commemoration of such an event.

The Directors consider that the completion of fifty years of the Bank's life should be marked by the issue to shareholders of one bonus share of Rs. 50 fully-paid for each 5 shares of the Bank. The Directors, therefore, propose to apply to the Controller of Capital Issues, Government of India, for the necessary sanction.

The sum of Rs. 50 lakhs would be transferred to Capital from the Reserve Fund, making the paid-up Capital Rs. 3 crores and the Reserve Fund Rs. 3 crores and 2 lakhs. The Bank's Capital, would, thereafter, consist of two classes of shares, namely, the present partly-paid shares and the new fully-paid shares.

Shareholders will appreciate that with the 2 per cent extra dividend already recommended and the further proposed increase in capital, if sanctioned by the Government, the future dividends will depend not only upon the profits of the Bank, but also upon the Government's taxation policy.

THE EASTERN ECONOMIST

(Subscription Rates)

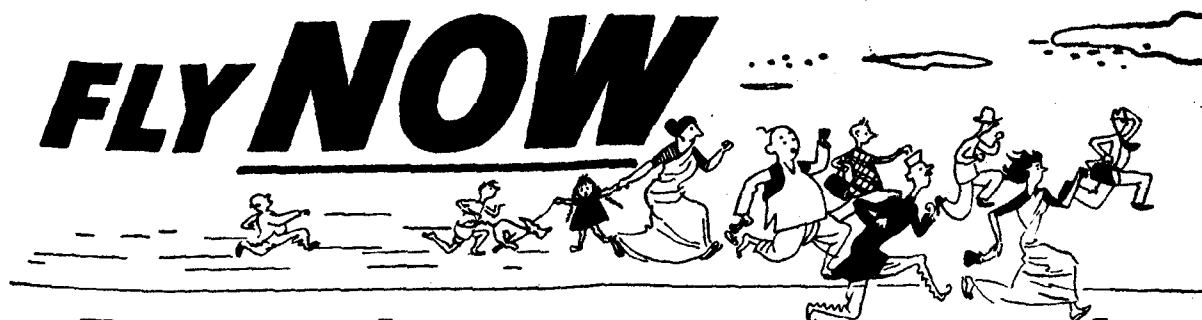
	Payable in advance	
	India	Foreign
	Rs.	Rs.
Annual	50	66
Half-yearly	25	33

Copies delivered by air in Bombay, Calcutta and Madras at an extra cost of Rs. 9/- per year.

Foreign air rates on application. Offices in New York, London and Tokyo.

The Manager,
THE EASTERN ECONOMIST LTD.,
52, Queensway
NEW DELHI

FLY NOW



Beat the summer rush & be sure to...

Fly the Finest... **FLY TWA**
TRANS WORLD AIRLINES
ASIA · AFRICA · EUROPE · U.S.A.

COTTON YARNS

OF ALL DESCRIPTIONS

FOR HANDLOOM, POWERLOOM & HOSIERY FACTORIES

MADURA MILLS COMPANY LIMITED

Phone: 250 (5 lines)

MADURAI
(SOUTH INDIA)

Telegrams: "HARVEY"

MILLS AT

MADURAI, TUTICORIN AND AMBASAMUDRAM

5,00,000 Spindles

Counts up to 80s

We Supply:

WARP YARNS, COMBED YARNS, HOSIERY YARNS, CONE,
CHEESE AND HANK YARNS, SINGLE AND FOLDED.

SPECIALITIES:

Yarns for the Manufacture of

ROPES — HEALDS — CANVAS — TAPE
BELTING DUCK — TYRE CORD FABRIC — SEWING THREAD
MULTI-PLY & CORD YARNS

Managers:

A. & F. HARVEY LIMITED

PANDYAN BUILDING

MADURAI
(SOUTH INDIA)

Phone: 420 (4 lines)

Telegrams: "HARVEY"

TALKS ON SKIN BEAUTY

Exercise and fresh air are Essential for
Keeping Your Complexion Young and healthy.

But Your Skin Also Needs External Care.

Mysore Sandal Soap

Made from the finest ingredients,
Cleans and tones up Your Skin and Complexion.

Try a Cake to-day

MYSORE SANDAL SOAP

ESSENTIAL FOR SKIN BEAUTY

Available at all leading Stores

Government Soap Factory

BANGALORE

Member: I.S.T.M.A.

THE DRAFT SECOND FIVE-YEAR PLAN

(The following figures are being reproduced from the Draft Second Five-Year Plan)

INDUSTRIAL DEVELOPMENT IN PRIVATE SECTOR AND UNDER

THE N. I. D. C. DURING THE SECOND PLAN

Industries	Unit	Estimate of Annual Capacity as on 31st March, 1956	Estimated Production in 1955-56	Estimated Requirements in 1960-61	Targets for 1960-61 Annual Capacity	Production
HEAVY INDUSTRIES						
I. METALLURGICAL AND HEAVY ENGINEERING INDUSTRIES						
(1) Iron and Steel						
(a) Saleable steel by main producers in private sector	Mill. tons	1.25	1.25	4.5	2.3	2.3
(b) Pig-Iron for foundries	Tons	380,000	380,000	700,000	500,000	250,000
(2) Structural Fabrication (a)	"	242,000	180,000	500,000	500,000	500,000
(3) Heavy Foundry-cum-Forge Shops (b)						
(a) Independent Steel Foundry	Tons	..	..	16,000	15,000	15,000
(b) Forging Shops (3)	"	..	..	12,000	12,000	12,000
(c) Cast Iron Foundries	"	..	..	10,000	10,000	10,000
(4) Ferro-Manganese(c)	"	28,000	N.A.	160,000	160,000	160,000
(5) Aluminium(e)	"	7,500	7,500	30,000	30,000	25,000*
(6) Automobile, motor cycles and ancillary industries.						
(a) Automobiles	Nos.	35,000	23,000	57,000	57,000	57,000
(b) Motor Cycles & Scooters	"	11,000	Negligible	11,000	11,000	11,000
(7) Rly. Rolling Stock & other equipment Locomotives	Nos.	50	50	..	100	100
(8) Industrial Machinery.						
(a) Cotton Textile	Value (Rs. crores)	..	4.0	..	..	17.0
(b) Jute textile	"	..	0.06 (1954)	..	..	2.5
(c) Cement	"	..	0.56 (1954)	..	..	2.0
(d) Sugar	"	..	0.28 (1954)	..	..	2.5
(e) Paper	"	..	Negligible	..	..	4.0
(f) Printing(d)	"	..	..	..	..	4.0
(g) Others (Heavy Machinery including machine tools).(d)	"	..	..	..	..	..
(9) Industrial Bearings.						
Ball and roller bearings	Nos.	600,000	700,000	1,800,000	600,000	1,800,000
II. HEAVY CHEMICAL INDUSTRIES						
(10) Acids and Salts						
Sulphuric Acid	Tons	268,175	160,000	450,000	500,000†	450,000†
(11) Alkalies						
(a) Soda Ash	"	90,000	80,000	250,000	280,000	250,000
(b) Caustic Soda	"	46,000	35,000	120,000	133,000	120,000
(12) Fertilizers						
(a) Nitrogenous (Fixed N.)	Tons	15,000	14,000	370,000	45,000	45,000
(b) Phosphatic as P2O5	"	35,000	20,000	120,000	120,000	120,000†

* Production lower on the basis that the additional 10,000 ton capacity at Hirakud or a new 10,000 tons unit will come into production by the middle of 1960 and operate to full capacity for only 6 months in 1960-61.

† Includes the capacity of plants in public sector like the sulphuric acid plant of Bihar superphosphate factory and auxiliary plants in steel works.

‡ About 7,000 tons of super expressed as P2O5 from the Bihar Superphosphate Factory included.

a Capacity for heavy structurals to be developed by N.I.D.C. also. b To be developed by the N.I.D.C. in the public sector.

d To be developed by N.I.D.C.

c Part of the new capacity to be developed by the N.I.D.C.

THE DRAFT SECOND FIVE-YEAR PLAN

INDUSTRIAL DEVELOPMENT IN PRIVATE SECTOR AND UNDER
THE N. I. D. C. DURING THE SECOND PLAN *Contd.*

Industries	Unit	Estimate of Annual Capacity as on 31st March, 1956	Estimated Production in 1955-56	Estimated Require- ments in 1960-61	Targets for 1960-61 Annual Capacity	Produc- tion
(13) Miscellaneous Heavy Chemicals						
(a) Calcium Carbide	Tons	5,000	3,000	24,000	25,000	24,000
(b) Potassium Chlorate	"	2,300	1,500	4,200	4,200	4,000
(c) Industrial Explosives	"	Nil	Nil	5,000	5,000	5,000
(d) Carbon disulphide	"	4,700	3,000	14,000	14,000	14,000
(e) Carbon Black(d)	"	800	200	12,000	8,700	8,000
(14) Benzol recovery and rectification e						
Coal-Tar Distillation e	Mill. Glns.	2.4	1.5	..	10.0	9.0
(15) Dyestuffs and Intermediates(f)						
(a) Dyestuffs	Mill. lbs.	..	..	..	..	44.0
(b) Intermediates	"	..	..	..	..	..
III. OTHER INDUSTRIES (HEAVY)						
(16) Petroleum Refining	Mill. tons (of crude- processed)	3.625	2.5	..	4.31	3.8
(17) Paper and Paper Board	Tons	220,000	180,000	350,000	450,000	350,000
(18) Newsprint(g)	"	Nil	Nil	120,000	30,000	30,000
(19) Rayon						
(a) Viscose Filament & Acetate Filament	Mill. lbs.	28.1	16.0	55.0	55.0	55.0
(b) Staple Fibre	"	12.0	12.0	25.0	25.0	25.0
(c) Chemical Pulp(f)	Tons	Nil	Nil	30,000	30,000	30,000
(20) Cement	Mill. tons	4.8	4.5	10.0	11.5	9.5
(21) Refractories	Tons	343,800	260,000	800,000	1,000,000	800,000
(22) Jute Manufactures(h)	"	1,200,000	1,000,000	1,200,000	1,200,000	1,200,000
(23) Rubber Manufactures						
(a) Automobile tyres	'000 Nos.	895.2	900	1,200	1,200	1,200
(b) Bicycles tyres	"	5,770.8	6,200	12,000	12,000	12,000
(24) Cotton Textiles						
(a) Yarn	Mill. lbs.	1750*	1,600	1,950	2,010	1,950
(b) Mill Cloth	Mill. yds.	4,920*	5,200	8,200@	..	(under con- sideration.)
(25) Sugar(i)	Thousand tons	1,750	1,650	2,250	2,500	2,250
(26) Pharmaceuticals						
Benzene Hexachloride	Tons	2,460	700	2,000	2,460	2,000
(27) Woollen Textiles						
(a) Wool tops	Mill. lbs.	Nil	Nil	18.0	9.0	9.0
(b) Wollen and worsted yarn	"	38	19.35	27.0	45.0	27.0
(c) Woollen cloth	Mill. yds.	48	13.75	20.0	50.0	20.0
IV. LIGHT ENGINEERING INDUSTRIES						
(28) Bicycles	Thousand Nos.	500	500	1,250	765	1,000
(29) Diesel Engines	H.P.	200,000	100,000	205,000	216,000	205,000
(30) Power driven pumps	Nos.	73,200	40,000	86,000	86,000	86,000
(31) Sewing Machines	"	41,500	90,000	300,000	85,000	220,000
(32) Hurricane Lanterns	Mill. Nos.	5.5	5.0	6.0	5.5	6.0
(33) Transformers (33 KV & below)	KVA	550,000	520,000	880,000	880,000	880,000
(34) Electric Motors	H.P.	376,700	240,000	600,000	600,000	600,000

* Partly under N.I.D.C. and partly under public sector and comprises road tar, naphthalene, creosote oil, etc.
 † Partly under N.I.D.C.
 ‡ Two new factories—envisaged for development of which one is expected to be in full production and the other half way through. Partly under N.I.D.C.
 § New unit envisaged in Assam.
 ¶ Sugar season.
 * As on Jan. 1955 @ per capita consumption of 18 yards is envisaged.

THE DRAFT SECOND FIVE-YEAR PLAN

INDUSTRIAL DEVELOPMENT IN PRIVATE SECTOR AND UNDER
THE N. I. D. C. DURING THE SECOND PLAN *Contd.*

Industries	Unit	Estimate of Annual Capacity as on 31st March, 1956	Estimated Production in 1955-56	Estimated Require- ments in 1960-61	Targets for 1960-61 Annual Capacity	Produc- tion
(35) Dry batteries	Mill. Nos.	225	160	225	225	225
(36) Storage Batteries	Nos.	333,192	225,000	425,000	350,000	350,000
(37) Electric Lamps G.L.S.	..	21.0	27.0	50.0	50.0	50.0
(38) Radio Receivers	Nos.	162,000	80,000	200,000	162,000	200,000
(39) Cables & Wires						
A.C.S.R. Conductors	Tons	15,370	9,000	15,000	15,370	15,000
(40) Electric Fans	Nos.	439,000	275,000	450,000	439,100	450,000
(41) Coated Abrasives	Reams	195,000	80,000	150,000	255,000	150,000
(42) Grinding Wheels	Tons	1,370	850	1,500	1,720	1,500
(43) Glass & Glass-ware (other than Bangles)	"	239,000	100,000	160,000	330,000	160,000
(44) Plastics; — synthetic Moulding Powder	"	1,200	700	7,800	2,400	2,400
(45) Power & Industrial Alcohol	Mill. Galls.	28.0	17.0	30.0	36.0	18.0
(46) Paints & Varnishes						
(a) Oil-based paints, varnishes and enamels	Tons	65,000	40,000	60,000	65,000	60,000
(b) Nitrocellulose lacquers	Galls.	352,000	275,000	500,000	352,000	500,000
(47) Plywood	Mill. sq. ft. 144 to 150	..	100	100	160	160
(48) Starch & Glucose						
(a) Starch	Tons	80,400	50,000	100,000	100,000	100,000
(b) Glucose liquid	"	8,350	300	4,000	8,350	4,000
(c) Glucose Powder	"	600	..	2,600	2,600	2,000
(49) Vegetable Oils						
(a) Solvent Extraction from cakes	Tons	82,500*	5,000	..	800,000*	64,000
(b) Cotton seed oil	"	N.A.	10,000	..	30,000	30,000
(c) Total including all sources	Mill. tons	N.A.	1.6	1.95@	..	1.95
(50) Vanaspati	Tons	450,000	250,000	350,000	450,000	350,000
(51) Soap: Organised Factories	"	240,000	100,000	250,000	240,000	200,000
(52) Matches						
.. ..	Mill. gross boxes	35.3	32.0	35.0	35.3	35.0†
(53) Tanning & Footwear (organised sector only)						
(a) Footwear (Western Type)	Mill. pairs	5.97	3.2	100.0	5.97	5.97
(b) Footwear (Indian type)	"	N.A.	2.2	..	N.A.	2.2
(54) Salt(j)	Thousand Mds.	85,000	100,000	..	..	100,000
(55) Biscuits and Confectionery						
(a) Biscuits	Tons	40,000	12,000	15,000	40,000	15,000
(b) Confectionery	"	40,000	8,000	10,000	40,000	10,000

Note: All capacity and production figures relate to organised factories and do not include the decentralised sector.

* In terms of oil cakes processed.

@Including 170,000 tons for export.

† Includes decentralised sector.

(j) Includes production in the public sector also.

Manufacture of Polythene in India

Imperial Chemical Industries Limited have received the approval of the Government of India to a project to manufacture polythene in India. The manufacture will be undertaken by the I.C.I. associate, The Alkali & Chemical Corporation of India Limited in which the Indian public has a substantial shareholding. The project will involve a total investment of about Rs. 3 crores.

Polythene was first discovered in the research laboratories of I.C.I. Ltd. in the U.K. The process to be used in India will be that developed by I.C.I. and used in the manufacture of their well-known 'ALKATHENE'. The use of this product in India has been developed by I.C.I. (India) Ltd. who have operated a plant at Calcutta for the manufacture of film from imported granules since 1953. Polythene is a tough, flexible, thermoplastic material with outstanding electrical insulating properties. Many thousands of tons are used every year throughout the world in the manufacture of packaging film, flexible pipes, submarine telephone cables, radar equipment and moulded domestic articles, to mention only some of the major uses. As elsewhere, the largest single use of polythene in India will probably continue to be for packaging purposes, both as film and as coating on paper and jute.

IMPERIAL CHEMICAL INDUSTRIES
(INDIA) LIMITED



ICG 540

The

Eastern Economist

VOL. XXVI. NO. 12

NEW DELHI: MARCH 23, 1956.

ONE RUPEE

CONTENTS

	Page		Page
Leading Articles:		Special Articles:	
THE STATES REORGANISATION BILL ..	473	EUROPEAN ECONOMIC SURVEY: 1955 ...	491
THE DENIGRATION OF A HERO ..	475	METRIC SYSTEM AND ITS IMPACT ..	492
THE BUDGET DEBATE ..	476		
		The Business World:	
THE WEEK'S NOTES ..	479	Outlook for the Jute Industry ..	494
The Case for Insurance Nationalisation; India and Pakistan; Budget Leakage Blows Over; Recruitment to Services; The P.S.P. Decides.		Latest on Shipping ..	497
		BUSINESS NOTES ..	499
A WINDOW ON THE WORLD:		Import Trade Problems; Bonus Payment to Bombay Textile Labour; The "Six Per Cent Mentality"; Alkali and Chemical Corporation; Workers Parti- cipation in Management.	
Odyseus on "Nationalised Industries and Inflation" ..	483	COMPANY AFFAIRS ..	501
		COMMODITY NEWS AND NOTES ..	502
WORLDGRAM AND NEWS IN BRIEF ..	487	CURRENT STATISTICS ..	507

The States Reorganisation Bill

THE circulation of the States Reorganisation Bill to State Governments for their opinion has now taken the problem of reorganisation of States a stage further. The most satisfactory feature about the Bill is its timing; the state of relative calm in which the Bill has been published and circulated is of good augury. Two months ago, a Bill on the present lines might have added to the heat of controversy and spoilt the outlook

for its easy acceptance. Today, however, the position is much different. The Punjab settlement is the largest single contribution towards solving the problems of reorganisation and the great wisdom shown on all sides in this area cannot be lost on the rest of the country. The problem of Bombay is, perhaps, still in the melting pot, though a definite stand has been taken in the Bill itself on the lines of the Government's earlier

decision. It is possible that the negotiations which are still being carried on in the background will yield a different solution, but it is not the final solution that is now important. There is evidence now that there has been a general revulsion from the agitational approach, which caused a display of violence and irresponsibility in Bombay. The residue of dissatisfaction is unlikely to express itself through a repetition of such folly. The Government, while determined to be firm, has expressed its willingness to discuss the possibilities of territorial adjustments made with the agreement of the parties. Elsewhere, as in Orissa, there is no doubt as to the answer to be given to demonstrations of violence and the Government can now be confident that it has the firm support of all responsible sections of the country in taking measures against them.

The pattern of reorganisation has undergone a change from that laid out by the S.R.C. Report. There are important deviations in accepting the conclusions of the Report, but these deviations do not detract from the work of the Commission. At worst, they may prove that the Commission could not take adequate account of the broad political considerations which are inescapable in dealing with so large a problem as the redrawing of the map of India. The Commission was able to produce clear-cut solutions to complicated problems; but tidy solutions have to be combined with political insight which was lacking in dealing with the more important issues. The solutions now put forward may be said to have achieved a right blend of the two, after a process of free discussion which is on the whole to the credit of our democracy even though the discussions have been marred by unpleasant incidents.

The most important departure from the S.R.C. Report is the creation of two uni-lingual States of Maharashtra and Gujrat, with Bombay city as a Central area outside both. There still remains the possibility that the final shape of Western India will be much nearer to the conception of the S.R.C. if a large bi-lingual State with Bombay as capital emerges from the current negotiations. There is no reason why it should not and if the Punjab formula is, indeed, a very suitable one as claimed, the creation of regional committees in a large bi-lingual Bombay State must be able to dispel the fears of particular groups. For the present, the Bill provides a basis of common interest to the two linguistic groups in the proposal for the establishment of a common High Court for Gujrat, Maharashtra and Bombay city. There will also be a Zonal Council with co-extensive territorial jurisdiction; and what is now needed is only an extension of these common institutions in order to mitigate the continuing grievance about Bombay.

Of the other changes made, the exclusion of Himachal Pradesh from the greater Punjab contemplated by the S.R.C. must be taken as an indication of a desire to respect the wishes of the people in this area, which were recognised in the minority report of the Commission. But this exclusion is only temporary and the Government has declared its conclusion that ultimately Himachal Pradesh has to form part of the Punjab when it can feel more secure in that larger set-up. The merger of Telangana with Andhra is in accordance with the S.R.C. recommendations, the difference being that the date of merger has been advanced. The clear cases in which the Commission's proposals have been unacceptable relate to the re-opening of the question of Bellary, the merger of

Tripura with Assam and the inclusion of Loharu in Rajasthan. These are in any case minor issues and the Government's decision has been backed by sound reasons. Not until the outcome of the Bengal-Bihar negotiations is known will it be possible for us to assess the value of the Commission's approach to this complicated border problem between two major States. If the merger comes about as now planned, it may reveal a trend which was far outside the range of the Commission's calculations.

The acceptance of the institution of Zonal Councils, after the idea caught on with remarkable rapidity in the post-S.R.C. phase of discussions, is again one of the major improvements recorded in the last six months. It may be unwise to expect too much out of these Councils whose constitutional status will remain nebulous even though they will have a statutory basis when the Bill becomes Law. The Councils can provide opportunities for those who normally tend to be preoccupied with purely local affairs, to have a sense of perspective and to see their problems in a larger context. Each of the five zones proposed covers a large area and at least on a zonal basis some of the smaller entities contained in each zone may be able to submerge their sense of smallness in the consciousness of the membership of a bigger association. In this sense the Zonal Council scheme, for which the credit belongs entirely to the Government, provides a constructive via-media between the suggestions contained in the minority report of the S.R.C. (based on the fears of smaller States) on the one hand, and the resistance offered by the larger States, on the other, to any idea of division for the purpose of creating balanced units within our federal system.

There is a clear indication that all the territorial changes proposed in the Bill will take place on October 1, 1956, in time to hold the next general elections without any postponement. This is an important point to be remembered; complicated though many of these problems of reorganisation are, it would not have been proper to create the impression that they would be used as an excuse for delaying general elections.

The future set-up of the Indian Union will only show two categories of component units, States and Union territories. The institution of Rajpramukhs will have a peaceful ending. There will be fewer High Courts and the reconstitution of the State cadre of the services may be helpful in streamlining public administration at the State level. A host of other details, which are intended to tide over the legal problems of the transition to the new pattern of States, have been included in this Bill of 121 clauses. They do not raise issues of principle connected with reorganisation, but are consequential provisions which have been thoughtfully drawn up by the administration.

The period during which the question of States' reorganisation has been before the Government and the people has been one of severe trial and it is essential that controversies should cease to permit greater attention to the larger tasks of economic development. This trial, like all others, has brought forth the best as well as the not so good traits in our public life; the best of all is the proof it has given that the underlying unity of India is strong and rests on solid foundations.

The Denigration of a Hero

MR. KHRUSHCHEV'S scathing attack on Stalin a fortnight ago has become more sensational news than the ideological changes announced at the Twentieth Congress of the Communist Party of the Soviet Union last month. There was enough evidence in the proceedings of the Congress to show that Stalinist policies would be changed more freely in course of time. Mr. Mikoyan's reference to past mistakes in foreign policy and his readiness to dispute Stalin's thesis on present-day capitalism were important indicators of the bolder approach towards criticism of Stalin's record. It was, however, expected that Soviet leaders would rely much more on reviving Leninist doctrines in order to overshadow Stalin than risk an open attack on Stalin, who personified in himself all that the Soviet Union stood for in the domestic and international spheres for nearly three decades. Mr. Khrushchev has astonished everyone by the violence of his attack; all that has been said regarding Stalin outside the Communist world has been confirmed in his speech. Judging by the few excerpts now available, more criticism of Stalin is expected to follow with the publication of some other documents; the testament of Lenin, is expected to convince the Soviet people of Lenin's lack of faith in the man who succeeded him and held unbridled power for nearly three decades.

It is difficult yet to discover what gain the present leadership in the Soviet Union expects by exposing the worst deeds of Stalin. One possibility is that there is still a section of opinion, possibly outside the higher ranks of the Communist Party, which still believes the legend about Stalin and disfavours changes already made by the new leadership. For the present, however, there is no evidence except the Georgian riots to prove that the pro-Stalin groups are influential. In a country in which all evidence contrary to the prevailing ones may be completely eliminated, it would be difficult to gauge the strength of this opinion, except by the fact that unless it was a substantial one, the Soviet leaders would not have been compelled to denigrate a personality around whom a halo had grown during a long and eventful regime. Communist leaders outside the Soviet Union have followed suit as usual taking the cue from Mr. Khrushchev, but this proves nothing more than the ridiculousness of their position.

Whether we attach much importance or not to the Georgian riots and the remnants of Stalinist influence inside the USSR, Mr. Khrushchev's performance will remain extremely puzzling. Having started on this campaign of exposure, he cannot obviously halt in the middle, though it has been decided that the process will only be gradual, perhaps to temper the shock of the revelations to the Russian people. Mr. Khrushchev could not have overlooked the possibility that it might even create a certain amount of scepticism about the Communist way of life, on the virtues of which the people had been indoctrinated by the propaganda of the last four decades. Have the Soviet people still left the capacity to ask themselves whether, if the dictatorship of the proletariat could not provide checks against the inordinate excesses of a whimsical despot, the system itself has any value, notwithstanding the theoretical claims of Marxist-Leninism? It is clear from Mr. Khrush-

chev's confession that no check was possible on Stalin and that his misdeeds multiplied according to his caprices. When even so bold and confident a leader as Mr. Khrushchev confesses that he was deterred by fear of his life in questioning them, it is not merely Stalin who is put in the dock but Communism itself.

The alternative now offered by the present leaders is the system of collective leadership, but even here the ascendancy of one man, namely of Mr. Khrushchev, has been apparent already. There is nothing in all the discussions of the Twentieth Congress to show that there will be free criticism amongst the leaders themselves, even though mistakes in policies are often admitted in general terms. This only proves that there is a certain amount of inevitability about the dominance of an individual. Marx might have conceived only of a broad-based proletarian dictatorship, but Lenin had narrowed it down to the dictatorship of the Communist Party, thereby elevating the Party itself into a principle. In effect, however, the tendency is to narrow it further into leadership of an individual to symbolize the Party. While such a tendency may be seen even in some parliamentary democracies, the opportunities for changing men during elections or in times of crises have helped to limit the political career of individual leaders who outlive their usefulness. When these opportunities are absent in a totalitarian system no theory of collective leadership can in practice provide a check to the emergence of a dominant leader imposing his will on the rest of his following.

The situation in the Soviet Union is, therefore, full of potentialities which have to be watched with interest. A psychological shake-up may, perhaps, do nothing but good to a people whose spirit has been crushed by long years of despotism. To the extent that Stalin's name was repugnant in the free world for his oppressive policies, the present policy may even create a favourable climate for a genuine approach to co-existence. That Stalin was not a "man of peace" is now established by those who have been his faithful followers during his lifetime. There can be no parallel in the free world for such violently contrary attitudes to a hero in life and in death, though subsequent light on the private lives of great personalities has altered popular verdicts. In the case of Stalin, those who were too close to him have been the last to speak the truth because they prized their own lives better than the cause for which they professed to stand. Stalin's capacity for cruelty might provide the excuse for those who depended on his power but for those who remained outside his jurisdiction and were yet toeing the line with spinelessness, there is none. Marshal Tito alone was an exception and, perhaps, the Chinese Communists would have been compelled to do likewise but for their other fears.

The degree to which concentration of power could be permitted for so long and to such an extent would not be of purely domestic interest even in ordinary times and in respect of ordinary countries. But in the Soviet Union, whose technology for war has been as well-developed as anywhere else, there has been an ever-present danger to the peace of the world. Those who have minimised it all along have not been vindicated in the event.

The Budget Debate

THIS year's debate on the Central Budget was governed by the primary consideration that the budget should give a glimpse of the second Five-Year Plan in its first year. It was right that it should be viewed mainly from this angle. But the Plan itself is still in a tentative stage and much of the criticism that was directed against the financial statement for the coming year would find a proper place in the discussions on the Draft Outline of the Plan. The only exception has been the frequent expression of anxiety over the adequacy of India's defence system, but even here the hard choice between arms and development became the theme, showing the extreme concern over economic progress.

This particular circumstance, however, did not deprive members of the opportunity to tread over the wider ground of the general economic prospects in the coming year. The ideological bias was as usual very pronounced in the criticism against the budget proposals which came from the members of the Communist Party and though Mr. A. K. Gopalan censured the budget proposals as indications of the attempt to secure national development at the cost of the common man, he was disarmed by the Finance Minister's assertion that the common man had to pay for development. There is now an increasing awareness that the scope for direct taxation has been exploited on a far greater scale than the scope for indirect taxation. This is not to imply that advocacy on behalf of the common man was not conspicuous in the course of the debate. The usual point was made that the new levies of indirect taxes constituted an additional burden on the common man's consumption goods and services, synchronising with a phase of rising cost of living.

The Finance Minister's clarification in his reply to the debate in the Lok Sabha, in terms of a comparative picture of the shares of direct and indirect taxes in the total revenue, was sufficient to dispel any vague ideas about uneven distribution between the two sources with a lopsided emphasis on indirect taxes. The conviction is already gaining ground that in a people's Plan which aims at an ambitious rate of development the base of taxation has to be broadened. The spokesmen of the private sector appeared restrained in their general criticism, though they had enough grist to their mills in the taxes on bonus shares and dividends. Mr. Tulsidas Kilachand registered his protest against the conscious attempt to divert financial resources from the private sector to the public sector. Mr. G. D. Somani made moderate suggestions about modifications in the tax on bonus shares and in the basis of computation for the super-tax on dividends in excess of 6 per cent and there has been some basis for the hope that the Select Committee may like to get credit for some liberalisation.

Particular interest attaches to the direct effect of the budget proposals which aim at increasing tax revenue by Rs. 35 crores. The Finance Minister's statement that taxation has no concern with capital expenditure ought not to come as a surprise. Tax revenue is undoubtedly intended to bolster the Plan. But it has a greater bearing on the development expenditure envisaged in the Plan and not on the investment part of the Plan.

In the Draft Outline the size of the development outlay has been placed at Rs. 1,000 crores out of a total expenditure of Rs. 4,800 crores. Taxation which is intended to balance the revenue budget as far as practicable, or in the alternative to minimize the deficit, is directed basically towards meeting demands of the development expenditure in the Plan. Leftist parties exhibited their impatience with the manner in which egalitarian tax proposals are being implemented because of their expectation that at least a beginning would be made with the first budget of the next Plan. Mr. Deshmukh was able to meet the criticism by pointing out that these proposals were not by any means kept in cold storage, though he has thereby offended the politically powerless business sector which is irked by the constant dangling of swords over its head to scare it into a state of inactivity.

There was not the least attempt to conceal a feeling of genuine anxiety over the probable, or rather inevitable, consequences of deficit financing on the economy. There is a general realisation that a certain degree of inflation is inescapable as a consequence of the resort to deficit financing to the extent of one-fourth of the aggregate resources contemplated for the Plan. In fact, a large part of the debate was over-shadowed by this specific aspect of the Plan. In the budget year, the Finance Minister has planned for deficit financing to the extent of Rs. 360 crores. This figure must not be compared with the size of deficit financing budgeted for the current year at Rs. 309 crores, but with the revised estimate of the current year's figure which is now at a much lower level of Rs. 222 crores. The difference is substantial, as large as Rs. 138 crores in a single year, except that a similar shortfall may be shown in the Revised Estimates. This large magnitude of deficit financing in the first year of the second Plan is, however, a deliberate policy of phasing by the Finance Minister, whose broad scheme over the Plan period is to give a tapering effect to the size of deficit financing in the successive years. If deficit financing of the order of Rs. 360 crores in the budget year does not materialise, there may be a more even rate of deficit financing in the subsequent years.

There was counsel for caution in both the Houses in proceeding with this instrument of deficit financing. But Mr. Deshmukh's assurance that the experience gained in the recent past could be used carefully and with skill was reinforced by a note of confidence. Fiscal, monetary and, in the last resort, physical measures would, he said, be applied as the varying situations demanded. But there can be no corrective against inflation so powerful as a supplementary increase in production. It is difficult to concede the Finance Minister's view that this corrective may not be practicable. At least in consumer goods industries which are in general demand there ought to be deliberate effort to raise production, primarily in the production of cloth and food. The prospect of a large subsidy of Rs. 80 crores during the Plan period for the Ambar Charkha introduces an element of confusion in stepping up production of mill cloth. The impact of inflation may dictate a modification of enthusiasm for this proposal.

How strong must the foundation be for 43 lakh houses?

In the last few years, large segments of our population have moved into the cities. Here they live in unbelievably congested tenement houses, adding to the cities' already acute housing shortage. We need 43 lakh houses to ease the strain on our cities.

In 1947 our cement production was 1.45 million tons. Today, it is 4.34 million tons—almost three times the 1947 figure. 40,000 people are employed in 26 modern, efficiently run factories.

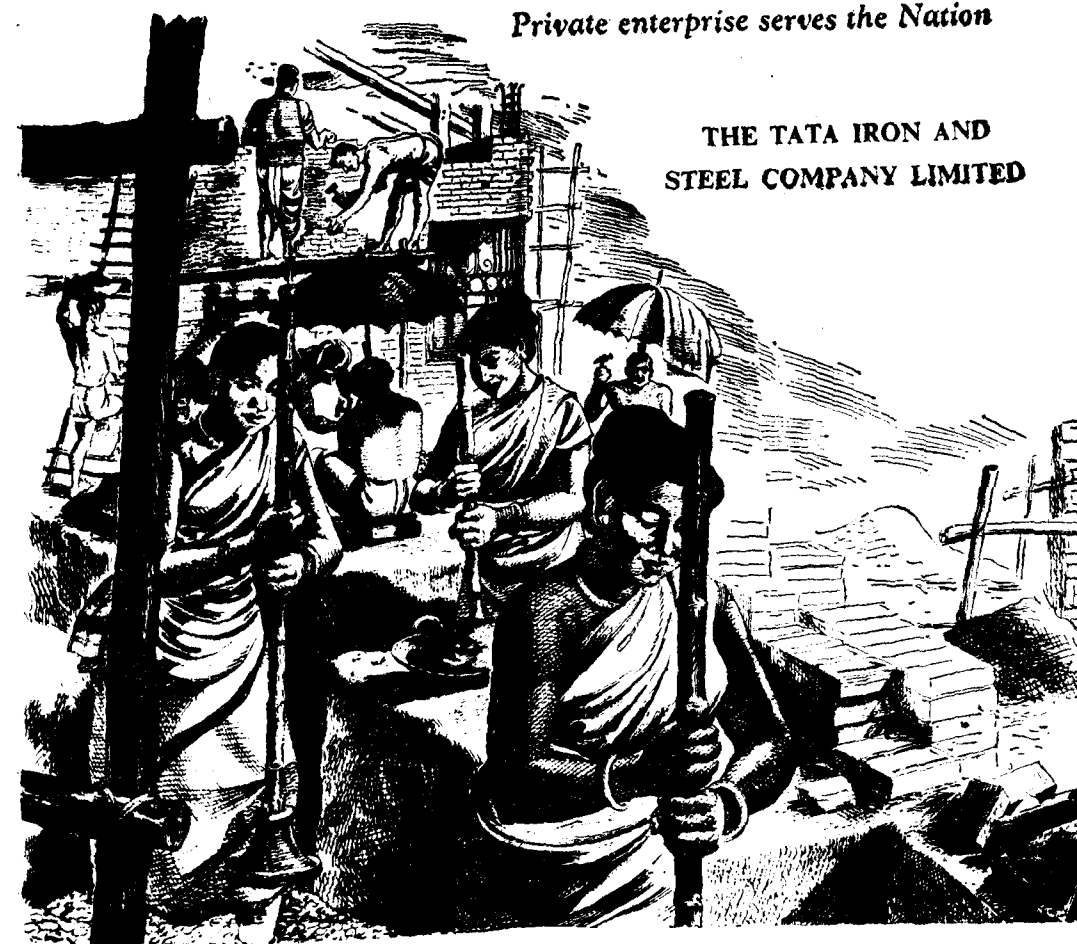
In our developing economy steel is

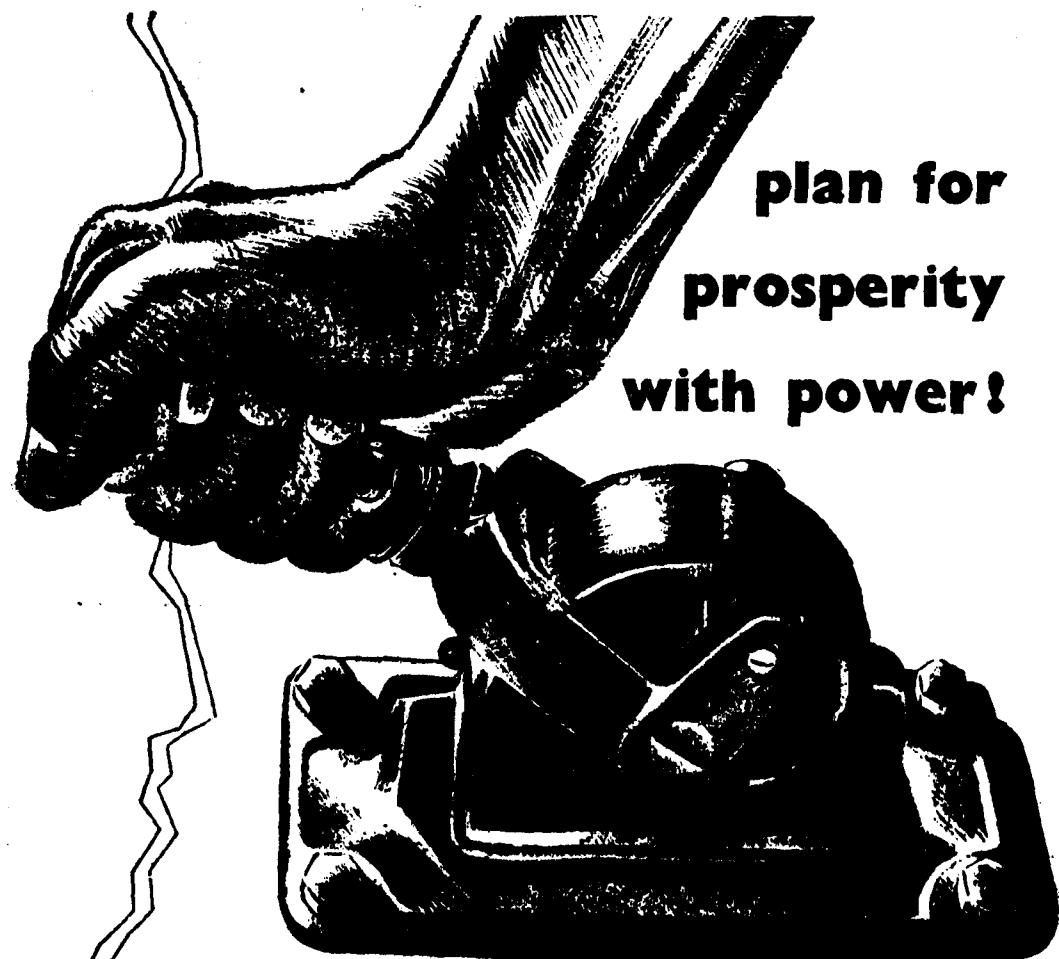
essential. That is why the Tata Iron & Steel Company has launched an expansion programme which will raise its capacity.

Ingot Production		
1955	...	1,050,000 tons
1959	...	2,000,000 tons

Private enterprise serves the Nation

THE TATA IRON AND
STEEL COMPANY LIMITED





Power - electric power - plays a very important part in India's plan for a prosperous future. Vast reserves of power will be necessary to keep the wheels of industry humming with activity. Only efficient electrical engineering will effectively produce, distribute and control this vast power.

The latest developments in Electrical equipment and machinery are displayed at the German Industries Fair, Hannover. Over 4000 manufacturers with all their outstanding exhibits, will be there to demonstrate the benefits of their inventions.

Other Groups exhibited: Mechanical Engineering, Chemistry, Rubber, Precision Mechanics & Optics, Iron & Steel, Tools, Office Equipment, China, Ceramics, Glass, Jewellery, Silverware, Cutlery, Clocks and Watches.



German Industries Fair

COMBINED LIGHT & HEAVY INDUSTRIES
HANNOVER 27TH APRIL - 6TH MAY 1956

For full particulars & entrance tickets write to the Official Representatives of the Fair: Ajanta Advertising, Lakshmi Building, Sir Phirozshah Mehta Road, Bombay 1.

THE WEEK'S NOTES

THE CASE FOR INSURANCE NATIONALISATION

THE FINANCE MINISTER'S speech on the Insurance Bill in the Lok Sabha this week was much nearer to the truth than at any time before, when he said that the nationalisation was based not only on the failure of the private sector but also on other grounds like ideology, philosophy and the objectives of a Welfare State. Mr. Deshmukh was right when he argued that from this point of view it was not necessary to prove, as in a court of law, that malpractices were widespread. But this was a line of which he himself was guilty at an earlier stage, until the Prime Minister intervened to explain it as part of a philosophy. Mr. Deshmukh also shifted his ground when he said that malpractices should not be judged in terms of the quantum of money involved but in terms of the human hardship created. The point that bad management though small was an endemic disease proves nothing except that thereby the Government seeks to rationalise its failure to regulate the business by making effective use of the powers conferred by the legislature. Historically, and on the basis of current experience, it is possible to argue that there are other diseases which are endemic in nationalised enterprise which can create as much human hardship as in the other cases by way of red-tape and rule-of-thumb.

Mr. Deshmukh has been able to produce figures to prove that in the six weeks following nationalisation more business has been done than in the corresponding period of the previous year. For the moment, this has apparently satisfied some sections of opinion, but the proof is not as complete as one would wish. It is well known that in the last few years, business each year has been increasing substantially over the previous year and there is no evidence to show that the figures now produced reveal a tendency which is much in excess of the average rate of increase recorded. Up-to-date figures are not available for the public to prove anything to the contrary, but it is a fair presumption that the volume of business done during the six or eight weeks prior to nationalisation would also have shown an increase over the corresponding period in the earlier year. The only inference that can be drawn from the increase claimed by the Finance Minister is that nationalisation has not caused a setback; but no one expected such a dramatic reversal of the trends in business by the taking over of life companies by Government.

The Finance Minister was, perhaps, right in rejecting the private sector's plea for several corporations for nationalised insurance on the ground that policies have to be evolved in common. His assurance that the policyholders of solvent companies will not be cheated of the bonus to which their loaded policies entitled them, will be noted with relief. The question of compensation on which an elaborate explanation was offered is one for the interests concerned to examine and comment before the Select Committee deals with the matter but that will not be the major issue involved in the transfer.

INDIA AND PAKISTAN

MR. NEHRU'S statement on foreign policy in the Lok Sabha was made in a tone of extreme seriousness which was also reflected in the temper prevailing in the House. The substance of his statement was not, however, unexpected. It largely turned on Indo-Pakistan relations in the context of the recent SEADO Council Meeting and the series of border incidents in the last

two weeks which have caused great anxiety. There was a reference to Mr. Dulles' assurances on aid to Pakistan and US policy on Goa; not much significance, it appears, was attached to his declaration that the USA would be on India's side in the event of aggression by Pakistan. The assurances have not satisfied Indian opinion, much less Mr. Nehru; and the border incidents are regarded as proving that whatever be the object of American policy, the result has been to make Pakistan strain at the leash, as it were, in order to display her new-found strength vis-a-vis India. So with the Portuguese Government. These two matters would have been serious enough but the SEADO Council Meeting provided the occasion for another gratuitous addition to the list of India's anxieties by its wholly pointless reference to the Kashmir question. The fact that the Foreign Ministers of Britain and France have publicly admitted the unsuitability of SEADO's dealing with the matter, has made the United States once again appear as the principal supporter of anti-Indian policies.

Mr. Nehru did not, however, stop with mere expressions of anxiety. To Pakistan he has offered the Panch Shila as a basis of future relations, and apart from this general offer, he has also welcomed Mr. Mohammed Ali's suggestion for a no-war declaration, which India had herself proposed some years ago without effect. But a mere declaration will not restore confidence unless border incidents are stopped forthwith and Pakistan makes amends for the Nekowal incident on which she had promised to accept the verdict of the UN Observers. The charge made by Pakistan's Prime Minister that India is whipping up a bellicose attitude against Pakistan is in keeping with his country's established ideas of anti-Indian propaganda but it cannot be a good prelude to an understanding. India's defence budget is still as stable as before and constitutes a declining percentage of her total budget. Mr. Nehru has rejected all ideas of having an arms-race with Pakistan, even while admitting the responsibility for taking precautions about the country's safety.

BUDGET LEAKAGE BLOWS OVER

THE DEBATE in the Lok Sabha this week on the budget leakage has shown that the Opposition takes its responsibilities seriously and is in no mood to compromise easily on an issue of principle. In this sense, the criticisms levelled against the Government were not inappropriate. At the same time, it cannot be overlooked that the Government has also done its best during the last three weeks to respect the rights of the House and for safeguarding the business of the Government. The Opposition was, perhaps, a little too severe in demanding the resignation of the Finance Minister to satisfy the requirements of principle. It was partly carried away by a sense of injury over the Finance Minister's disclosure of fuller facts in the Upper House first. Insistence on resignation would have involved the assumption that a high-level Minister is expendable on the slightest cause. A case has been registered against certain persons alleged to have been responsible for the leakage and further scrutiny into or comment on the details of the matter is prevented by the reason that the matter is 'sub judice'. It would, therefore, be hazardous to reach any conclusion on the circumstances which led to the leakage; but on the basis of the facts presented to the House there has been a general approval of the course adopted by the Prime Minister.

It would be unwise in such cases to carry our imitation of parliamentary conventions established else-

where to their logical conclusion. There are, however, circumstances in which a Minister's resignation may not only be technically necessary but essential to establish that responsibility is not lightly regarded. A recent instance of this kind was seen in the Health Minister's explanation of her responsibility in the matter of protected water supply to the city of Delhi. Though even there it was a clear case of negligence at the lower levels, a resignation might have had the effect of proving to the public that Government took the matter seriously and would avoid occasions for the recurrence of such negligence. All these examples only prove that these cases must be viewed on their individual merits and according to the degree of public dissatisfaction over a Minister's lapse. In this particular case of the budget leakage it would be the general desire that the matter should rest with the explanations offered by the Home Minister and the Prime Minister.

RECRUITMENT TO SERVICES

THE DEBATE in the Rajya Sabha on the working of the Union Public Service Commission revealed the same faith in the Commission's importance and impartiality which had all along characterised Indian public opinion on this subject. The conviction that all would be well so long as the Government adhered faithfully to the Commission's selections is probably due less to a belief in the infallibility of the Commission and more to a suspicion of the ways of the executive. In any case, this feeling was quite in keeping with the Constitution which provides for an independent body for recruitment to the public services and invests it with a distinct status. By and large, the Government has shown itself ready to accept the Commission's choice; and it would be wrong to exaggerate the importance of the few cases of deviation which are recorded in the report on the working of the Commission.

It cannot, however, be overlooked that this faithful adherence is to some extent remarkable in view of the proved shortcomings of the present system of recruitment. It was stated that during a year the Commission has to choose as many as 5,000 to 6,000 candidates for various posts. This large task makes it inevitable for the Commission to adopt rules-of-thumb in selection, thereby making the quality of recruitment suffer considerably. An even more disquieting factor has been the long intervals between the announcement of vacancies and the final recruitment. The delay may not seriously impede the work of the administration because of the powers of temporary appointment available to the departments but it certainly introduces an element of uncertainty, on the one hand, to the large numbers of temporary recruits who are kept in suspense and, on the other, to the applicants who cannot calculate their chances of being selected. It is not surprising that the quality of candidates who still offer themselves for this endurance test is not high.

It is essential that such delay should be reduced. If, due to circumstances beyond its control, the Commission should be compelled to choose personnel of a lower calibre, the effect will be to diminish popular faith in the efficacy of the system of recruitment and to impair the prestige which the Constitution has deliberately sought to create for this body in view of its special importance.

THE P.S.P. DECIDES

THE NATIONAL EXECUTIVE of the P-SP has now responded magnificently by issuing a directive to its party units prohibiting them from organising or parti-

cipating in satyagraha in connection with the question of reorganisation of States. Though this outcome is attributed to the talks between Mr. Jayaprakash Narayan and Mr. Nehru, it is well known that P-SP leaders like Acharya Kripalani have been as deeply concerned as the Congress leadership over the unseemly developments on the question of States' reorganisation. Calcutta, in particular, provided the local P-SP leadership with an opportunity to demonstrate its party strategy rather than its concern over the national interest. The directive now issued is only against the agitational approach; it does not in any way seek to stifle the expression of personal or party opinion at local or national levels. The Prime Minister's assurance that there has never been any desire to impose a solution on any area has been fully borne out by the manner in which the problem of reorganisation has been so far tackled.

This kind of co-operation may well be extended to other matters where it would be in the national interest. In particular, the problem before Travancore-Cochin today presents an opportunity for an understanding between the Congress and the P-SP if it could be brought about. The instability of Governments in this State in the last few years has become notorious and it is difficult to see great issues of principle or policy involved in the frequent changes of Ministries. The latest instance of ministerial crisis is an extreme case of irresponsibility on the part of a very small group of Congressmen and it would be absurd if only five per cent of the membership of the Legislature should thus create an awkward situation leading directly to President's rule. Few would doubt the need to avoid Central administration on each such occasion. On an earlier occasion, the P-SP was able to function as a minority Government with an uneasy neutrality of the groups on either side; and the conduct of the Congress Party in sitting on the fence, until expediency dictated opposition to the Ministry, was not indeed a proper precedent which could ensure future co-operation. It is not, therefore, understandable that the National Executive should now disfavour Mr. Pattom Thanu Pillai's co-operation with a Congress Ministry to stave off the present crisis. But the moral for the Congress is that it should not leave these matters to be dictated by a sense of sheer expediency at local levels; Congress leadership must give positive lead to avoid reckless conduct, if larger conceptions like bilingual States and zonal councils should have the right atmosphere for acceptance by the people.

THE EASTERN ECONOMIST

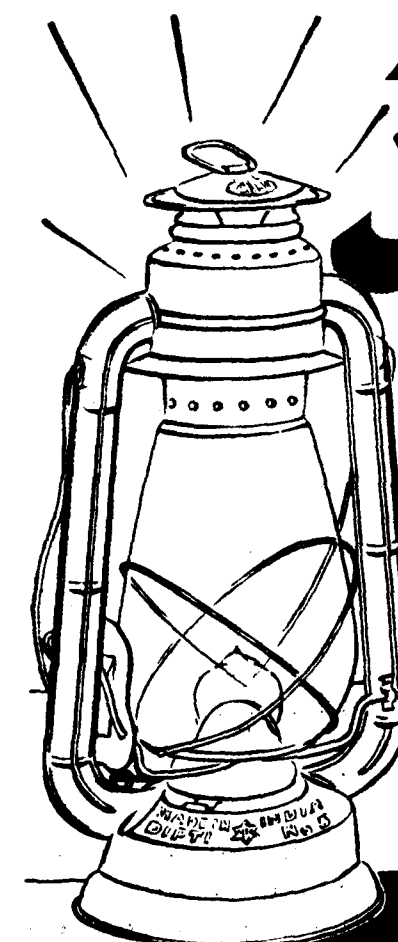
(Subscription Rates)

	Payable in advance	
	India	Foreign
	Rs.	Rs.
Annual	50	66
Half-yearly .. .	25	33

Copies delivered by air in Bombay, Calcutta and Madras at an extra cost of Rs. 9/- per year.

Foreign air rates on application. Offices in New York, London and Tokyo.

The Manager,
THE EASTERN ECONOMIST LTD.,
52, Queensway
NEW DELHI



3 Reasons
WHY
MORE PEOPLE ARE BUYING

DIPTI

ONLY **20%**
KEROSENE
CONSUMPTION

According to the latest Government certificate, Dipti lanterns give you clear Six British candle light without any smoke.

TROUBLE FREE PERFORMANCE

STURDY IN CONSTRUCTION ATTRACTIVE IN PRICE

DIPTI
Lantern
FOR
MILLION HOMES

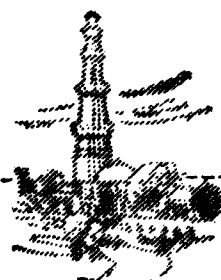
When you buy a lantern always insist on Dipti. Remember Dipti not only gives you a trouble-free service but also saves twenty percent of your kerosene consumption. It is sturdy in construction and smart in look. It has a special paint which is good for all weathers.



THE ORIENTAL METAL INDUSTRIES LTD.

Head Office: 77, Bowbazar Street, Calcutta - 12. Factory: Agarpara Estate, Progressive OM 3.

Delhi



London



Via **ROME** or **DUSSELDORF**

By **B.O.A.C. 'MAJESTIC'** or **'CORONET'** TOURIST

B.O.A.C. First Class 'Majestic' Services offer fully reclining "Slumberettes". Wonderful to sit up in, blissful to lie back and sleep in. B.O.A.C. "low fare" 'Coronet'

Tourist Services by B.O.A.C. Argonaut airliners. Four-engined and fully-pressurized. Same high standard of B.O.A.C. service and experience.

	Single Fare	Return Fare
FIRST CLASS	Rs. 2,360	Rs. 4,248
TOURIST	Rs. 1,747	Rs. 3,145

Consult your local Travel Agent or B.O.A.C. Speedbird House, Service Road, Connaught Place, New Delhi-1. Telephone: 43978, 44234, 45085 and 47356

B.O.A.C. TAKES GOOD CARE OF YOU

FLY ➔ B.O.A.C

BRITISH OVERSEAS AIRWAYS CORPORATION

A Window on the World

NATIONALISED INDUSTRIES AND INFLATION

By
ODYSSEUS

TWO CASTES IN BRITAIN

THE PROFESSED OBJECT of nationalisation of industry is to abolish the profit motive and to produce in the interests, not of a small group of capitalists who put country last and their own selfish interests first, but of the nation as a whole.

We have often argued here that calculation of the profits that it is hoped to make out of an enterprise is the only yardstick by which a Socialist government can decide between the urgent competing claims for limited funds of, say, a dam project or a steel plant. In nowise disconcerted, the Socialist replies that profits are "different" when made for the state which represents "all the citizens". In many of these controversies we are still in the blue-print stage, but we have no excuse for not knowing how our theories will work out in practice because we have in Britain a large-scale Welfare state laboratory which is some years ahead of us in practising what we are preaching. The Marxian purist may object that we ought to study what goes on in the Union of Soviet Socialist Republics rather than in "Socialist pattern" Britain, but there is (as yet) no comparison between our methods of economic organisation and those of the USSR, where India's humane, liberal democratic attitude towards the citizen and the worker has no parallel. Consumer interests, human interests, local interests — all are sacrificed to the attainment of the planned target in the USSR. Workers are now allowed to challenge the allotted conditions. So our investigations must be conducted in the British and not the Soviet laboratory.

What do we see there? Wage claims totalling more than £500 million have recently been put forward by leading British unions. If conceded, the present price level cannot be held and the buying power of the £ must fall further. These claims, spear-headed by the nationalised industries, have now become annual. Once granted, private industry has to follow or lose its workers to the nationalised industries. Britain's national wage levels are, therefore, set by government sponsored negotiations with the Unions, which do not present claims for arbitration but unconditional demands, regardless of the effects on the profit and loss account of their industry and consciously based on the knowledge that a strike would not only paralyse the industry, but by jeopardising Britain's balance of payments, create a political crisis, terrifying to the government in office, whether Conservative or Labour.

Before the war, the government was neutral between workers and employers, but today the future of the Welfare state is tied to the national economy. Government policies are basic factors in the economy. The result is that the workers in Britain's nationalised industries, by virtue of their power to tear a gaping hole in the economy and to create a political crisis, have established a corner in the product of their labour, which their post-war record shows that they are determined to perpetuate. Political power in Britain has passed from the hands of the 37,000,000 electors into those of the 3,000,000 in the nationalised industries who, together with their close allies, the rest of the Trades Union Congress members, total some 8,000,000 workers in 188 unions.

The British have become divided into two castes: those who, being able to wreck the economy if they do not get what they want when they want it, can protect themselves against the inflation that they help to create, and those who, being unable to hurt anyone, are being slowly crushed by inflation. To buy today goods for which they gave less than 8 shillings in 1939, they have to pay £1.

Mr. H. J. Randall, until recently chairman of the London Electricity Board, has thrown light on the actual working of nationalisation: "It is often asked why the nationalised industries should so readily give way to these wage demands," he wrote in 'The Times'. "In answering that question, one is faced with a difficulty which, I am certain, was never foreseen or intended by those responsible for transferring these industries to public ownership. With few exceptions, labour problems in nationalised industries—wage claims, conditions of service, etc.—are dealt with, or the ultimate decisions are taken by, men who were formerly trades union leaders but have been appointed to high positions under nationalisation. These men, who for many years were fighting for higher wages for their members, now find themselves representing the so-called employers, who are, of course, the public. I do not question the high ideals or integrity of these men, but being human they can hardly be expected suddenly to change their thoughts and habits and deal with wage claims in a judicial way. I must regretfully express my conviction that their failure to do so is largely responsible for the inflation and economic trouble which threatens to overwhelm us. Inspired by the recent generosity of the Transport Commission, we have in my industry just conceded the largest wage increase we have ever granted. I have no doubt that the gas industry will shortly follow our example, and others must do the same. What does it matter? The poor public will foot the bill."

So much for the unselfish attitude that permeates the workers when they work not for profit-making capitalists but for all the citizens, all their neighbours—the state.

The British Chancellor has restricted credit as one means of halting inflation, but while this hits private firms which have no resources but their capital and their credit-worthiness, the nationalised industries meet increased wage demands by working at a higher loss and eventually going to the treasury for support. So the Chancellor's vaunted credit squeeze hits private industry while the nationalised industries, the main cause of the inflation, do not take (or care) a rap.

NON-PROFIT-MAKING BENEVOLENT FUNDS

The unions' attitude was illustrated by Mr. J. Hendy, a shop steward in the London Electricity Board, who said: "Mr. Randall's conception of the function of a nationalised industry is so at variance with the view of those who brought nationalisation into being that one wonders how he ever came to accept office. Addressing

the 1947 annual conference of the Electrical Trades Union, Mr. Shinwell—then Minister of Fuel and Power—stated that nationalisation would clearly be of little value if it did not improve the wages and working conditions of those employed in industry. Trades unionists naturally expect a nationalised industry to pay more than private employers do and to lead the way, as befits a superior form of industrial organisation. If Mr. Randall does not share this belief, he should transfer his talents to a more backward sector." (He has).

In other words, Mr. Hendy thinks it "natural" that nationalised industries should constitute themselves into non-profit-making benevolent funds for the sole benefit of their own employees, to the exclusion of the rest of the nation. Why should there be any limit to the improvement of nationalised workers' conditions at the expense of consumers? If running at a loss constitutes a superior form of industrial organisation in Mr. Hendy's eyes, one wonders whether he occasionally feels any apprehensions about the future of private enterprise, that inferior form of industrial organisation which remains the only source of the profits needed to pay the taxes to make up the losses of Britain's nationalised industries.

Faced with the blackmail of the nationalised unions, the point has been forthrightly posed in the British press that what the government must tackle is the re-establishment of the rule of Parliament and of Democracy—to such a pass has nationalisation led the British.

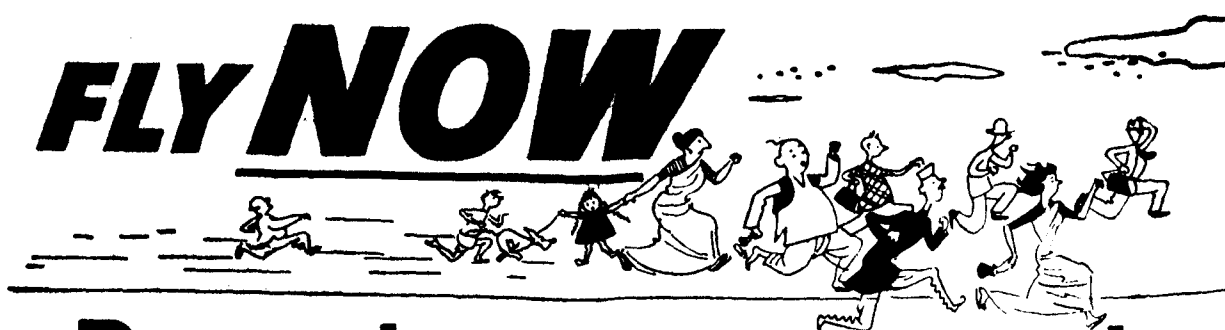
In a recent and widely quoted editorial entitled "The Rue of Fear", "The Times" sounded the tocsin: "...In these matters, over many years now the merits of the case have had scant respect from either party. Lacking either power to divine the nature of our ills or courage to face them, both sides (Conservative and Labour) have found escape in tribal war."

"The real lack is courage. Diagnosis is not so difficult. Time and again ministers have been expected at last to take measures to cut to the root of the cancer that is slowly but inexorably eating away what national wealth we have left. Time and again the story has been the same—half measures; too little too late. Every government, it is true, being collective, has to proceed partly by compromise. There are the realists and there are the politicians. But there are occasions when the politicians should not have the last word. They have had it only too often in cabinets over the past ten years. As a result half measures have failed time and again—or have deluded by their ephemeral success. We have now reached a pass where not even three-quarter measures will do any good. Mr. Mac-Millan has made a bolder cast than any yet. It may do the trick. There would have been less doubt if it had been bolder still."

"It is easy for the rest of the nation to deplore a lack of political courage. The truth is that it is only part of a whole. There is lack of courage in the boards who acquiesce in inefficiency in order to avoid trouble, and who give the inflationary spiral another vicious turn upwards with six, seven, eight, or even ten per cent wage increases in the dishonest and futile hope that this is really the last time. There is a lack of courage in the trades union leaders who tolerate such a festering folly as the Cammell Laird strike; or who know perfectly well that we are heading for the abyss and are yet willing to seize any crumb of excuse in the form of even the mildest disinflationary measures to allow their followers yet more vigorously to push them from behind. There is a lack of courage in the managements which bid up and up to the point of bribery for scarce labour till some total earnings have reached fantastic levels... Inflation is demoralisation... We must "address politics truly to the task of survival... replace the rule of fear by the leadership of courage."

An interesting experiment in the British economic laboratory, isn't it? Shall we repeat it here? Or learn from their lessons in time?

FLY NOW



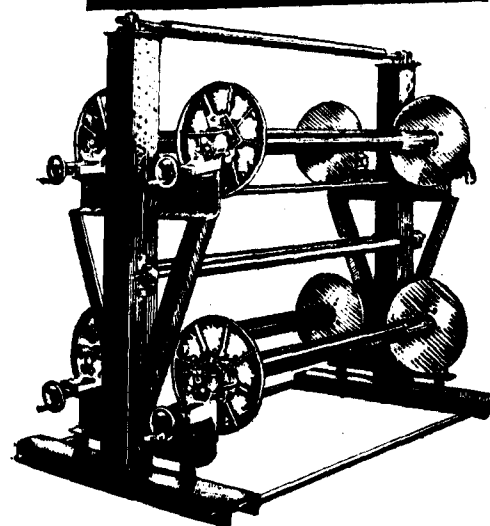
Beat the summer rush & be sure to...

Fly the Finest... **FLY TWA**
TRANS WORLD AIRLINES
ASIA • AFRICA • EUROPE U.S.A.

TR/4

Why worry! SIZING & DYEING NO MORE A PROBLEM *Insist on New Design*

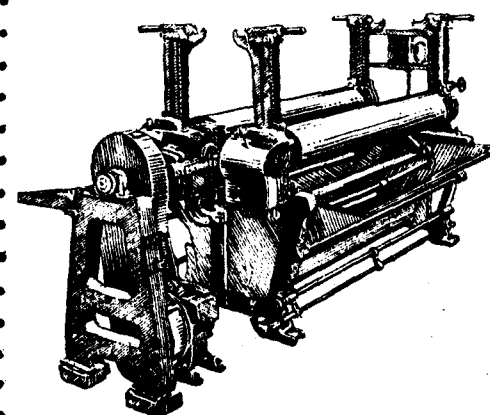
UNIVERSAL SIZING CREEL



Tensionless Vertical Universal Sizing Creel to take four beams, anti-friction roller bearings, saves valuable floor space, easy of approach to beam-ends.

&

TENSIONLESS SEMI AUTOMATIC DYEING JIGGER



Tensionless Semi Automatic Squeezing Type Stainless Steel Jigger, with Ebonite rollers, with self-aligning ball bearings, complete with electric motor and reversing switch.

Enquiries to: **TEKMACO**
(GWALIOR) LTD.
BIRLANAGAR, GWALIOR

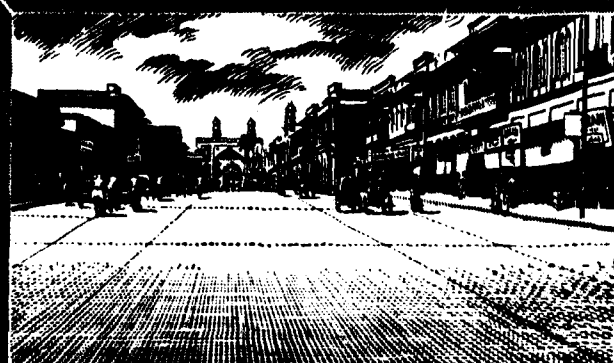
BOMBAY 254A, Annie Besant Road, Worli.	DELHI Rohatgi Mansion, Kashmere Gate, Hamilton Road.	AHMEDABAD Choteyial Bldg., Kadia Kul, Relief Road.	BANGALORE 64, 2nd Cross, Gandhinagar.
--	---	---	---

Sales Offices at

TR/4

Concrete Roads

GIVE LONGEST SERVICE AT LOWEST COST



Concrete roads have a notable service record the world over. They provide more economically the strength and stamina which are needed in our projected highways and rural roads designed to serve the vastly increased traffic of the future.

(1929 Char Minar Road, Hyderabad (Dn.))

CONCRETE ROADS

- ✓ cost less to build than any other road of equal load-carrying capacity
- ✓ cost less to maintain
- ✓ give long years of service
- ✓ provide better visibility
- ✓ ensure greater safety

(1949 Great Southern Trunk Road)



(1948 Colmbatore-Mettupalayam Road)

ACC

THE ASSOCIATED CEMENT COS. LTD.

Sales Managers:

THE CEMENT MARKETING COMPANY OF INDIA LIMITED

SISTA'S CPM-235

WORLDGRAM

AGRICULTURE

World Food Production: The production of food is increasing faster than world population, according to a US Agriculture Department report. The agriculture survey shows that the 1955-56 index of world farm production is 119 per cent of the 1938-39 pre-war base while population in mid 1955 was only 117 per cent of the pre-war base. Overall production for the 1955-56 crop year exceeds 1954-55 in every major geographical area.

Planting Plans in Ceylon: Ceylon's Ministry of Land is starting its second big scheme to plant coconuts, tea and rubber on 25,000 acres through the assistance of colonists. The Ministry expects to spend Rs. 3 million (£225,000) this year on the colonisation of the first 5,000 acres. The scheme will be spread over five years. In the case of tea and rubber, arrangements are being made to work them through co-operative societies, as the peasants will not be in a position to arrange for factory facilities on their own.

Japanese Method for Wheat Crop: Bombay Government's experiments extending Japanese method of paddy cultivation to wheat and cotton in Khandesh are giving excellent results. It is reported that crop yield can be doubled by this method. The average 20 maund per acre yield of wheat in Maharashtra is likely to be increased to 30 or 35 maunds. Eight thousand acres in Thana, 2,000 in Khandesh and 1,500 in Nasik are under this method.

Wheat Harvest in Australia: A revised estimate of the Australian wheat harvest for 1955-56 shows that it is likely to be 195.6 million bushels. Since the December, 1955, estimate, conditions for harvesting, are stated to have been generally more favourable than anticipated, particularly in West Australia. The latest estimate is 16 per cent higher than that in the previous season, when the smallest crop since 1946-47 was harvested. The estimated average yield of 19.4 bushels per acre compares with the previous record year of 1952-53, when the figure was 19.1 bushels.

Agricultural Credit Societies and Co-operative Institutions in India: The number of primary agricultural credit societies (including grain banks) which stood at 1.15 lakhs in 1950-51 rose to 1.35 lakhs by the end of the year 1955-54. The membership and loans advanced by the primary societies rose from about 52 lakhs and Rs. 22.9 crores in 1950-51 to about 65 lakhs and Rs. 29.99 crores, respectively in 1953-54.

INDUSTRY

Plastics-Making in India: A project for the large-scale manufacture of plastics in India is to be launched by Imperial Chemical Industries (ICI). The scheme involves a sum of about £2,250,000, and manufacture will be undertaken by the Alkali and Chemical Corporation of India, an ICI associate. Technical assistance in the design and operation of the plant will be provided under an agreement with ICI, and processing will be similar to that used in the production of 'Alkathene' plastics in Britain. The project is for the manufacture of polythene, a thermoplastic which can be repeatedly melted or softened by heat without any change in its properties. At present polythene is mainly used in India for packaging, but other uses include flexible pipes and moulded domestic articles.

Wagon Erection Plant at Visakhapatnam: The construction of a wagon erection plant designed to assemble

750 broad gauge goods wagons every month is now nearing completion at Visakhapatnam. Located inside the Visakhapatnam port area, about one and half miles from the main docks, the plant will go into production shortly. The South Eastern Railway, which is setting up the plant, has provided the requisite yard and the permanent structures like gantries. The constructors, who have been given the work of assembling the wagons, are supplying compressors, mobile cranes and other machinery. A Calcutta firm has been given the contract for assembling at this plant 8,800 wagons, both covered and open types, which are being imported in a semi-knocked down condition from Japan, USA, UK, Australia and Poland against the Railways' own procurement programme as well as under international and technical co-operation schemes.

World's Industrial Production: In 1954, the factories and mines of the world (excluding the USSR, Eastern Europe and the Chinese Mainland) were producing nearly twice as much as in any pre-war year. The world's railways were hauling almost twice as much freight, the world's ships were carrying 50 per cent more goods, and there were as many motor vehicles on the world's roads in 1954 as in 1938, according to the 1955 issue of the United Nations Statistical Year Book published recently. Although in some respects 1954, was not quite near a good production year as 1953, nevertheless world (excluding USSR, Eastern Europe and Chinese Mainland) industrial production remained at round the same level as in 1953, and rose over that level in the first two quarters of 1955 by about 7 and 11 per cent respectively. Compared with pre-war peak year 1937 (with 1949 in parenthesis) the world (excluding USSR and China Mainland) in 1954 produced 46 per cent more crude petroleum, 56 per cent more electric energy, 32 per cent more steel, 58 per cent more cement, 25 per cent more motor vehicles and launched 68 per cent more tonnage of ships.

Electricity Output in Russia: During the next Five-Year Plan, electricity output in the Soviet Union is scheduled to rise to 320,000 million kwh annually—150,000 million kwh more than it is today. This is planned as only the preliminary stage to the following Plan period, when it is hoped to produce in the USSR almost as much electricity as the Western World produces today. Important Soviet power developments include a scheme for a national grid transmitting several million kwh over distances from 1,200 to 1,800 miles, and another for a net work of atomic power stations. Both are being launched during the current plan period.

Standard for Pentachlorophenol: An Indian standard specification for pentachlorophenol has just been published by the Indian Standards Institution. Pentachlorophenol is used for wood preservation. The standard prescribes the requirements in respect of chlorinated phenol content, matter insoluble in alkali, freezing point, etc., and also details the methods of test and sampling procedure for the evaluation of these characteristics.

Production of Printing and Fountain Pen Inks: About 75 per cent of India's total requirement of printing ink is met from indigenous production. The production of printing ink in India in 1955 was 2,090 tons as against 1,675 tons in 1954. India was self-sufficient in respect of certain types of printing inks like letter press, off-set and litho inks. The facilities for increasing production were being given to the industry which was being developed in the private sector. The production of fountain pen ink in the country in 1955 was 331,686 dozens of 2 oz. bottles as compared with 597,006

dozens of such bottles in 1954 and 442,800 dozens in 1953.

TRADE

Export-Import Trade of Britain: The excess of British imports in February 1956 over exports plus re-exports was £49,500,000—the lowest figure since May 1955. The value of exports in February was £246,100,000. This was £11,900,000 less than in January, which had one more working day. The average monthly value of exports in January-February was £252,000,000—over 4½ per cent more than in the corresponding period of 1955. Imports amounted to £309,100,000—£37,200,000 less than in January. The average monthly value of imports for January/February—£327,700,000—was 2 per cent higher than in the corresponding period of 1955.

Pakistan's Trade and Payment Surplus: Pakistan had a surplus in trade and payments transactions with India to the extent of Rs. 1.75 crores during the quarter October to December 1955, according to official statistics. Pakistan had an overall trade surplus amounting to Rs. 16.31 crores during the quarter. Surplus with dollar countries amounted to Rs. 2.83 crores and with European Payments Union Countries to Rs. 13 crores. In trade with the United Kingdom, Pakistan had a deficit of Rs. 13 crores.

Japan's Barter Trade: The Government of Japan have recently made certain changes in their barter trade system. Accordingly, barter trade deals will be permitted only for the developments of the new markets and in certain other special circumstances only. The list of Japan's collateral goods for barter deals, have also been narrowed down, as exports through normal channels have been found possible. Thus, rayon, staple fibre textiles and low grade cotton cloth for Central and South American countries and grey cloth for Middle East and Near Eastern countries are removed from the list of barter commodities.

FINANCE

Low-Income Group Housing Grants: The Government of India sanctioned in January, 1956, Rs. 20 lakhs as additional loan allocation to the Madhya Bharat Government under the Low-Income Group Housing Scheme. The State had already been sanctioned Rs. 70 lakhs as loan. During the month, a sum of Rs. 173.37 lakhs was disbursed to six State Governments.—Rs. 100 lakhs to Uttar Pradesh; Rs. 46.67 lakhs to Madhya Bharat; Rs. 11 lakhs to Jammu and Kashmir; Rs. 10 lakhs to Saurashtra; Rs. 4.5 lakhs to Vindhya Pradesh; and Rs. 1.2 lakhs to Coorg. This brings the total allocation under the scheme to various States up to January to about Rs. 21.28 crores of which about Rs. 7.79 crores have been distributed. The following are the loan allocations and payments made to various States up to January (in lakh of rupees): Punjab: 300.0—221.0; Uttar Pradesh: 300.00—165.0; Bombay: 225.0—Nil; West Bengal: 200.0—40.0; Madhya Pradesh: 151.0—65.1; Andhra: 74.0—10.0; Madras: 81.0—17.74; Bihar: 10.0—2.7; Assam: 10.0—Nil; Orissa: 3.0—Nil; Rajasthan: 100.0—20.0; Mysore: 100.0—10.0; Hyderabad: 100.0—10; Madhya Bharat: 90.0—70.0; PEPSU: 41.0—41.0; Saurashtra: 25.0—15.6; Travancore-Cochin: 15.0—3.0; Jammu and Kashmir: 35.0—11.0; Delhi: 200.0—55.0; Ajmer: 20.0—4.0; Himachal Pradesh: 20.0—4.0; Bhopal: 10.0—4.25; Vindhya Pradesh: 9.0—9.0; Coorg: 6.0—1.2; Kutch: 3.2—Nil.

Central Aid to Village Industries: The Government of India have sanctioned loans and grants totalling over Rs. 6 lakhs to various States for the development of village industries. Of this a major portion is for the development of the village leather industry. Uttar

Pradesh gets a grant of Rs. 92,200 and a loan of Rs. 63,000. For the establishment of six model village tanneries a sum of Rs. 57,000 as loan and Rs. 45,000 as grant have been given to Madras. Bombay gets a grant of over Rs. 47,900 and a loan of about Rs. 24,500 to be given to co-operative societies. A sum of Rs. 5,360 as grant has been given to Jammu and Kashmir. Hyderabad gets a loan of over Rs. 2,53,000 for the development of the hand-pounded rice industry. Saurashtra gets a grant of Rs. 7,000 for the development of the palm gur industry. Vindhya Pradesh gets Rs. 3,500 as grant for the development of the gur and khandasari industry and Madhya Pradesh Rs. 1,600 for the development of the fibre industry.

E. African Rail Revenue: Substantial increases over the previous year in both tonnages carried and revenue earned during the twelve months of 1955 are apparent in the rail, road and inland marine services of the East African Railways and harbours. Railway revenue for 1955 was £17.5 million of which £13.8 million was from goods traffic and £1.5 million from passenger and other coaching traffic, against £15.3 million in 1954. Port revenue in 1955 was £3.9 million compared with £2.9 million a year earlier. General cargo imports totalled 167,900 tons and exports 129,300 tons, representing increases of 30,300 tons and 4,300 tons respectively over comparable 1954 figures.

GENERAL

New Payment Scheme for Dock Workers: New schemes for ensuring more secure employment and better remuneration to dock workers and speedier turnaround of ships have been worked out by the Government of India. Under the new scheme the minimum number of days in a month for which wages are guaranteed to a registered worker in the Reserve Pool will be progressively increased. Increased wages will be achieved by a system of payment by results. The Dock Labour Boards will prescribe norms of productivity in respect of cargoes of different kinds. A worker will be entitled to the daily wage proportionate to the standard output. Under the new schemes, the Dock Labour Boards will be concerned with matters of policy and will not be responsible for the day-to-day implementation of the decisions, which will rest in the Chairman of the Board. The Chairman of the Board will be able to delegate many of the powers to a Deputy Chairman in Calcutta and an Executive Officer in Madras. The Chairman of the Boards will have emergency powers to deal with a situation affecting the working of the ports.

Nationalisation of Road Freight Services in States: Shri S. N. Mishra, Deputy Minister for Planning, revealed in the Rajya Sabha recently that the Planning Commission have advised all the State Governments to go slow with the schemes for nationalisation of road freight services. Shri Mishra said that the Planning Commission in a circular letter issued in September 1954 had informed the State Governments that the schemes for nationalisation of road freight services would not be considered for inclusion in the Plan until 1961, i.e. the end of the second Five-Year Plan.

Osaka Trade Fair: Over 800 foreign buyers from 50 countries of the world have already signified their intention of attending the Osaka Fair between April 8 to 15. Eight nations and 375 foreign companies will be participating in the massive fair which outstrips in size and scope the two previous ones—the first held in Osaka in 1954, which drew an attendance of 280,000 persons and recorded transactions aggregating 20,000,000,000 yen in value and the second held in Tokyo last year which attracted a crowd of 450,000 persons and business amounting to 30,000,000,000 yen.

NEWS IN BRIEF

INDIAN

The Employees' Provident Fund Scheme, which was started in November, 1952, covers about 1,350 factories and 15.4 lakhs workers in six industries.

The Fertiliser-Heavy Water Factory, proposed to be set up at Nangal, will have a capacity of 200,000 tons of ammonium nitrate and about 7 to 8 tons of heavy water every year.

The average per acre yield of cotton in India rose to 92 lbs. in 1954-55 from 61 lbs. in 1948-49.

Currency and bank notes of various denominations of the face value of Rs. 8,33,48,29,240 were printed at the Currency Notes Press, during 1955.

It is reported that a design centre for the handloom industry had been established at Bombay. It was proposed to set up three more design centres at Banaras, Madras and Delhi and also three smaller units at Kanchipuram, Surat and Chanderni.

An extraordinary general meeting of TISCO shareholders unanimously approved recently of a scheme for the issue of 1,285,000 new ordinary shares of Rs. 75 each with a premium of Rs. 30 per share.

It is reported schemes estimated to cost about Rs. 1 crore for lighthouse development and navigational aids were approved by the Central Lighthouses Advisory Committee.

Five more firms, in addition to the existing units, have been licensed for the manufacture of bicycles. Of these new units, two will operate in Uttar Pradesh and one each in Pepsu, Punjab and Delhi.

The Government of Bombay proposes to undertake a Rs. 12 lakh scheme to settle the nomadic tribes in the State during the second Five-Year Plan.

It is reported that National Carbon have commenced mailing allotment letters, refund checks, and reject letters. The allotment of shares has been made on a pro-rata basis with a diminishing scale for larger applications.

Messrs. Tata Industries Ltd., Managing Agents for the Tata Iron and Steel Company Limited, report that the total approximate production of iron and steel at the steel works at Jamshedpur during the month of February 1956 was pig iron 97,500 tons and steel ingots 89,500 tons.

Indian shipping companies placed orders abroad for the construction of 17 ships of a total of about 110,000 G.R.T., during the first Five-Year Plan period. Of these, five ships of a total of 33,500 G.R.T. have already been delivered.

The Government of India have, up to January 1956, sanctioned about Rs. 21.28 crores as loans to various States under the Low-Income Group Housing Scheme.

During 1955, 58,236 persons were trained by the National Volunteer Force at 127 training camps, each of 30 days' duration.

FOREIGN

Two new plants which will help to rehabilitate Korea's woollen industry and enable it to compete more favourably with high quality imported goods are being built with United Nations financial aid.

The International Labour Organisation reports that it gave more technical aid to Asia in 1955, than in any previous year. Almost 50 per cent of the requests were for manpower surveys and job training.

Russia signed recently a trade agreement with the Yemen, providing for the supply of industrial equipment, agricultural machinery, building materials, oil products, flour and rice and sugar in exchange for coffee, dried fruit and raw skins.

The Swedish Minister for Trade Mr. Gunnar Lange, has disclosed that a Government bill to abolish price control in Sweden in peace time will be laid before Parliament shortly.

The world consumption of virgin wool last year was 3 per cent higher than in 1954, according to estimates drawn up by the Commonwealth Economic Committee. It rose from 2,502,000,000 lbs. (clean) to 2,580,000,000 lbs. Only in 1950 and 1953 have larger amounts been used since the war.

It is reported that the Government of South Africa had accepted the principle of decimal coinage. A Commission of enquiry is to be appointed to take evidence from those organisations which would be deeply affected by a switch to decimal coinage.

Canada and Russia have entered into a three year trade agreement, which provides for the exchange of most favoured-nation treatment and for Russian purchases of between 400,000 and 500,000 metric tons of Canadian wheat in each of the three next years.

According to an agreement signed between the US and Indonesia recently, the latter will purchase \$96 million (over £34 million) worth of surplus US farm commodities. The purchase will be made in Indonesian rupiahs.

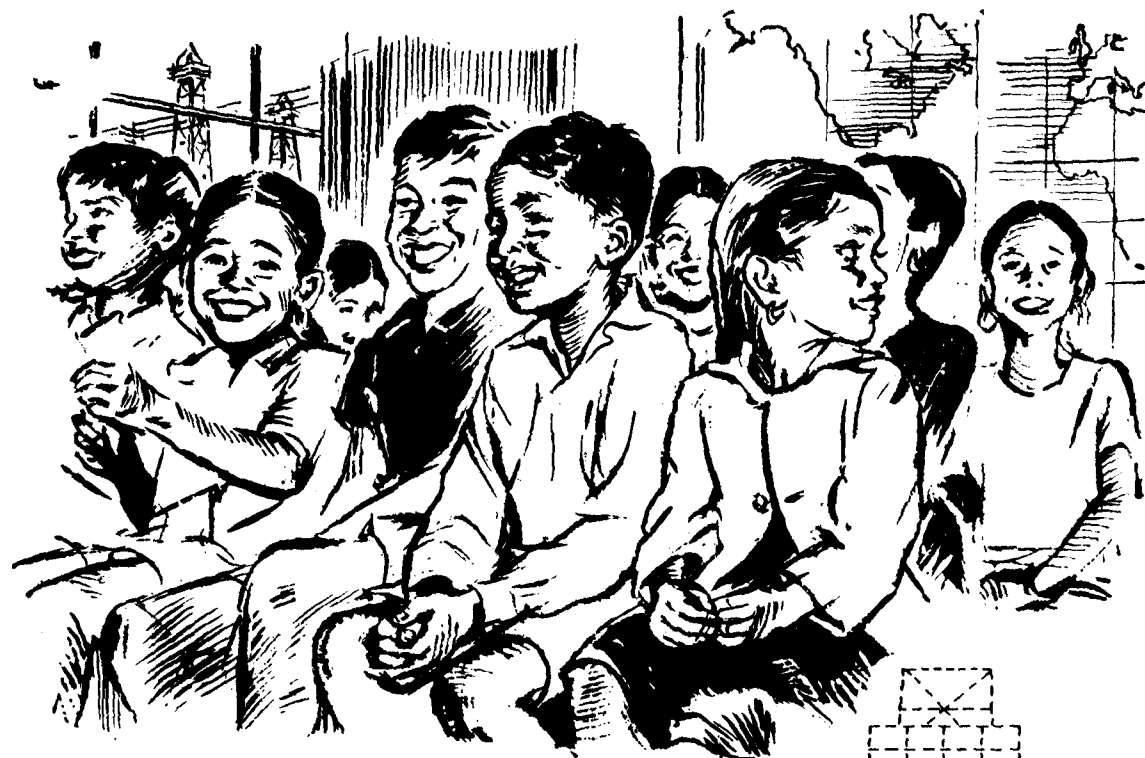
The Norwegian Government has asked Parliament to approve a contribution of £140,000 to the United Nations programme for technical assistance to economically underdeveloped countries this year. This represents a considerable increase compared with last year's contribution of £25,000.

The governing body of the International Labour Organisation has voted to exclude the Soviet Union from its preparatory maritime conference in London next September.

It is reported Britain is to repay to America 88,000,000 ounces of silver bullion borrowed during World War II under lend-lease arrangements.

The School Savings Banks movement in Cyprus inaugurated in 1950 is rapidly progressing from year to year. Almost all elementary schools as well as some secondary schools in the island are participating in the scheme.

The International Co-operation Administration has announced that the USA has offered to make American technicians available to Burma in exchange for rice.



it's a GREAT job...

keeping thousands of workers fit and bappy

Over 8,000 people are on the payroll of the Assam Oil Company—a great community, drillers and doctors, truckdrivers and typists, whose lives are centred round the winning, refining and distributing of oil. Helping to keep contented minds in healthy bodies—both in their leisure and their working hours—is indeed a formidable task.

Taking physical well-being first, Digboi Hospital is one of the most modern and best equipped in India. There are maternity centres and clinics readily accessible and a fully staffed Welfare Office. Malaria, which at one time affected three out of five workers, has been virtually stamped out.

More than 4,300 children attend the company's nine schools, which have a high record of Matriculation successes. Social clubs, sports clubs and playing fields cater for every kind of sport. Vegetable and flower shows, arts and crafts, stage plays, concerts—every form of hobby and recreation is encouraged.

In these ways the Assam Oil Company is glad to acknowledge the loyal service of its family of workers, engaged as they all are in a great national effort to satisfy India's oil needs from her own resources.



ASSAM OIL COMPANY

does it all



A member of the
Burmah Group of
Oil Companies

PROSPECTING · DRILLING · PRODUCING · REFINING

Special Articles:

EUROPEAN ECONOMIC SURVEY: 1955

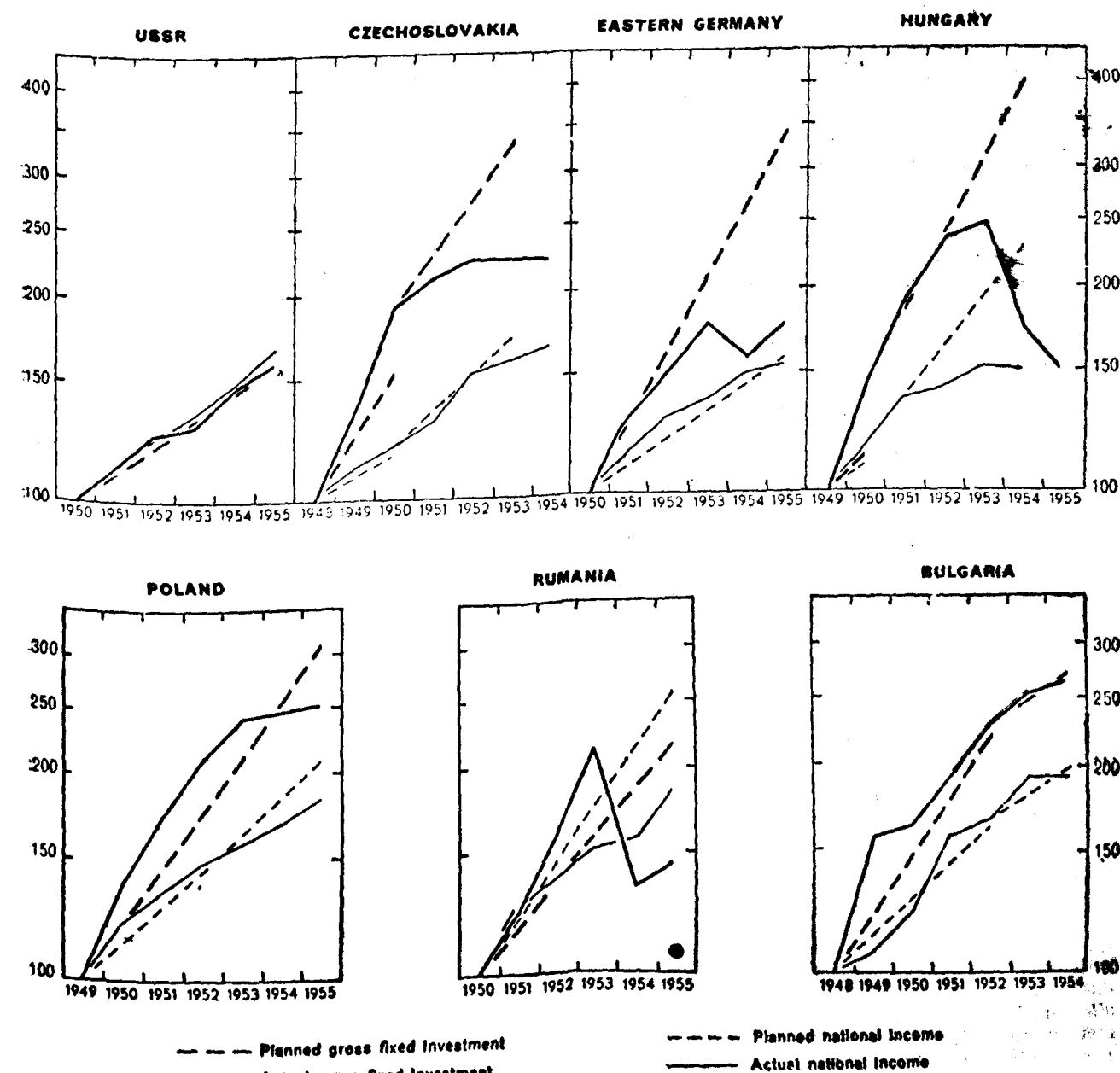
THE latest issue of the "Economic Survey for Europe: 1955" which was released this week by the Economic Commission for Europe is of special interest because of the manner in which the achievements of Western Europe and Eastern Europe have been compared. The broad indication given is that in Eastern Europe planning is running into trouble in more than one country. Western Europe has indeed its difficulties in inflation, particularly in the United Kingdom; on the other hand, there is nothing in the Western European picture to cause such great concern as in some of the Eastern European countries. Except in the USSR where planned gross fixed investment and actual investment are running neck to neck there has been in recent years a marked difference between the planned and actual rates of investment. The more significant factor is the serious departure from the levels of National Income planned.

The fear is expressed in the Survey that in a number of Western European countries the restriction on investments to meet immediate difficulties may affect the achievement of levels and patterns of investments needed for a satisfactory long-term rate of expansion. In most Western European countries it is observed that the ratio of gross fixed investments to gross national product has been higher since the war than before, the exception being the United Kingdom where the ratio is lower than in 1938. The investment pattern also shows a smaller share of investment in industry in a growing total. Many Governments in Western Europe have been compelled to adopt measures for restricting investment either because of a fear of rising wages and prices or because of the effects of a rising demand on the balance of payments. It is the opinion of the E.C.E. Secretariat that the risks of restrictionist policies are likely to be greater than the errors of ex-

Planned and actual national income and fixed investment in the Soviet Union and eastern Europe

The year preceding the last completed long term plan = 100 ●

Semi-logarithmic scale



● Both income and investment were planned to increase at the same rate.

(From Economic Survey of Europe—1955.—E.C.E.)

pansionism. The impact of restrictions is generally found to be very severe on industrial investments; where there is reliance on self-finance the tendency has been to concentrate investments on existing enterprises not necessarily in those in which expansion is needed.

There is a different picture in Eastern Europe. While the Soviet Union appears to have been able to hit the targets of investment and of growth of National Income, the East European countries have been unable to overcome shortcomings. In the Soviet Union, there was a miscalculation about agricultural output and the proposed investment for raising yields proved inadequate. Remedial measures, like the ploughing up of virgin land and a deliberate shift of the terms of trade in favour of the farmers, helped to avoid serious failure. The plans of the East European countries were even more ambitious at first than that of the USSR because of their desire to increase the stock of social capital and to build up heavy industry on the lines of the Soviet Union.

But it seems there was very little co-ordination of these industrialisation plans and technical bottlenecks to the fulfilment of too many projects at a time were generally overlooked. In no case did the Governments succeed in devoting to investments as much as was planned but their shortfalls were small in Poland because the targets in this country were much lower. In

the three countries which planned most ambitiously—Czechoslovakia, Hungary and East Germany—the fulfilment was 85 per cent, 80 per cent and about 65 per cent respectively. There was an uneven growth as between different sectors and even the cuts in transport, housing and agriculture did not help to prevent shortfalls in industrial investments. The lack of relationship between investment and the growth of National Income might have been due to serious miscalculations of capital-output ratios. But it is also observed that no firm estimates of food and raw materials were made. There were hardly any financial obstacles of the kind which Western Europe had to face. But so long as initiative came only from the top there was a natural tendency to emphasise only the larger projects which took too long to mature while the medium and small industries capable of giving quicker returns remained neglected. It seems that there is now a change in investment policy in these respects and the fact that more and more Eastern Europe also has to consider the scope for expanding exports outside the Communist world may direct thoughts towards improvement of efficiency. There is more attention being paid to maintenance and replacement of plant which was hitherto either neglected or given a low priority. These are in outline the dangers and difficulties of physical planning which are set alongside of the difficulties experienced under the free enterprise systems of Western Europe. There is much in the Economic Survey of Europe for 1955 to provoke thought on these aspects of planning.

METRIC SYSTEM AND ITS IMPACT

ONE of the most important reforms which will bring about a near-revolution in our country's commerce and trade will have its beginnings in the course of next five years. This concerns the standardization of weights and measures on the basis of the metric system. Though not a scheme under the second Five-Year Plan, the Draft Outline contains a reference to this in the chapter on "Administrative Tasks and Organization." It is common knowledge that the weights and measures in use in our country differ from place to place. Quite often even in the same place different systems are in vogue for different commodities. Even the same terms are frequently found to denote different quantities in different places. Investigations carried out by the National Sample Survey reveal that in 1100 villages scattered all over the country 143 different systems of measurement of weight are in use. It is also found that the term 'maund' stands for 100 different weights ranging from 280 tolas to 8320 tolas in contrast to the standard maund of 3,200 tolas, while the standard weight is 80 tolas. The situation is even worse in regard to the measurement of volume and area of land.

It is obvious that such chaotic diversity cannot be allowed to continue if confusion and difficulty are to be avoided in intra-national trade. Such confusion and difficulty will be aggravated when trade and commerce develop further. Standardization in these matters is best undertaken in the early stages of industrialisation when the cost of the changeover and the difficulties encountered in the process will be comparatively less.

In regard to the choice of a system for standardization, the claims of the metric system are irresistible, both because of its scientific nature based as it is on the decimal system which makes calculations a simple affair, and because of its international character. The metric system is the only system in which there is a simple direct relationship between weight, quantity and cubic measure, since the weight of cubic centimetre of water is one gram and one cubic metre is

one litre. Almost the whole of Europe with the exception of Britain and Ireland and the American continent barring the US and Canada have adopted this system, besides Japan, China and a few other countries in Asia and some territories in Africa. Even in Britain, Ireland, the US and Canada, the metric system is legally optional, though not in common use. Even as early as 1871, the then British Government of India came to the conclusion that standardization of weights and measures in India should be on the basis of the metric system. Unfortunately the closer ties with Britain of those days, which was itself on the foot-pound-gallon system, and the lack of any direct interest in pushing through any such reform resulted in matters being allowed to drift.

One of the minor points which continued to be debated even after the country became independent, and the Government's decision to introduce the metric system became known, was whether decimalisation of the currency should precede or follow the introduction of the metric system of weights and measures. This has now been settled with the passing of the Decimal Coinage Bill by Parliament in August last year. Only two years are to be allowed for the changeover in the currency system whereas the reform in weights and measures is to be spread over ten to fifteen years. It is, of course, far easier for decimal coinage to come into common use since sooner or later all coins and notes will find their way to a Government treasury, post-office, railway booking office or bank from where the old ones can be withdrawn from circulation and replaced by new ones. On the other hand, existing weights and measures can continue to be used for private transactions even after Government makes their use illegal provided the parties to the transactions are mutually agreed on disregarding the law. This neglect and indifference should be overcome by education rather than by legal action against offenders. Anyway, some sort of standardization is needed urgently and a sweeping change such as the one proposed is not likely to meet much more opposition than a slight one.

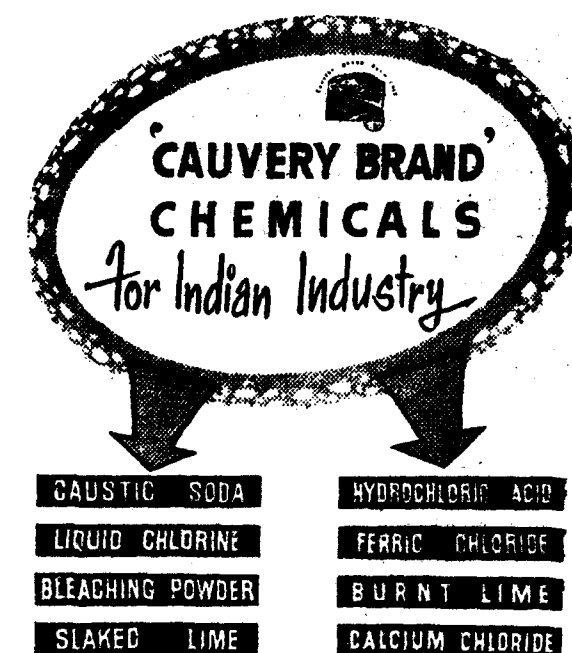
The introduction of the metric system will involve changes in the measurement of weight, length and quantity. All three measurement are met with in everyday life—we buy a seer of sugar, a yard of cloth or a gallon of oil. Except for the psychological resistance to a change in the system as a whole or to changes in the amounts which familiar terms signify—since as far as possible familiar terms should be used under the new system—there is nothing to worry about here as only frequent use over a period of time can make it universally accepted. But the larger effects on industry and trade, and especially foreign trade, have to be considered.

The main impact of any change in the measurement of quantity and weight will be in the realm of foreign trade, since once the initial resistance is overcome, there will be no problems as far as internal trade is concerned. Though the overwhelming majority of the nations of the world are on the metric system, more than two-thirds of India's foreign trade is with the United Kingdom and other Commonwealth countries and the United States, which are on the foot-pound system. But this should bring about no complication since the prevalence of different systems in France and Britain, for example, has placed no obstacle in the way of trade. Commodities can be sold and contracted for on the basis of the system of the exporting country, unless there should be mutual agreement on some other basis.

Within the country itself the Railways and the Postal Department, among Government departments, and the road transport systems, both run by the State and by private operators, will be considerably affected. The weighing machines and weights in all post offices and railway stations will have to be replaced. Passenger and goods rates and postal rates will have to be fixed on a new basis. The necessity to undertake all these calculations twice—once when decimal coinage is introduced and again when the metric system is adopted—can be avoided by these departments adopting the metric system at the same time as decimal coinage becomes effective.

The principal consequence of adopting the metric system of measurement of length will be in the industrial sector, especially in regard to the manufacture and import of machinery. The fact that until recently the major part of our imports of machinery came from Britain and the US, which manufactures machines with the inch as the basic unit, was advanced as the most powerful argument against any change. But this argument loses much of its force when we consider that the changeover within India itself can be no insuperable obstacle to the import of machinery. Only when we begin to manufacture the machines ourselves, with all the spare parts too, can the reform be in fact ideally complete. In the meanwhile, spare parts needed for British and American machinery will have to be imported as and when they wear out instead of our manufacturing them—or some of them—as hitherto within the country. Machinery based on the foot-pound system may not have to be scrapped before they are completely worn out, unless the economy in installing new machinery on the metric system may more than compensate for the initial loss and expenditure. It may be noted that the benefits to industry and science in the shape of greater fineness and accuracy in precision instruments will be quite significant. Under the foot-pound system the maximum fineness possible is 1/1000th of an inch whereas under the metric system it will be more than twice as great as measurements up to 1/1000th of a centimetre are possible.

The changeover to the metric system is expected to involve an expenditure of Rs. 1 crore for the Postal Department and another Rs. 1 crore for the Railways. No estimate of the probable cost to industry in the private sector and to traders has been made. It may well run into a few crores of rupees. But the expense will have to be weighed against two factors—the advantages which the reform will bring and the much higher cost of such changeover at a later date when industrialisation has proceeded far and trade has grown. There is no controversy over the benefits which the metric system will confer on society. That a highly industrialised, commercial nation will have greater difficulty in switching over to a new system, though it may be admittedly more scientific and advantageous in many ways, can be seen from Britain's inability even to contemplate any such reform. It is possible that some confusion will arise when a change is effected in the existing official systems of weights and measures, particularly because of illiteracy. But in the existing situation in which there is already a bewildering variety of terms and meanings to same terms, it is unlikely that the metric system will appear disturbingly strange.



CAUVERY BRAND Chemicals are always dependable, always consistent in quality. If you are in a business which uses chemicals, it will be to your advantage to consult us.

THE METTUR CHEMICAL & INDUSTRIAL CORPORATION LTD.

Managing Agents: **SESHASAYEE BROTHERS LTD.**

The Business World

OUTLOOK FOR THE JUTE INDUSTRY

By
CROESUS

TO take a long-range view of things is characteristic of a real business man. Indeed, no one who has wanted to count the chicken before the eggs are hatched has ever been able to survive in this highly competitive economy of our times. It was not surprising to me, therefore, to note that, in his address as Chairman of the Indian Jute Mills' Association (I.J.M.A.) last Friday (16-3-1956), Mr. M. P. Birla resisted the temptation to be complacent about the good turn in the fortunes of the jute industry in India in 1955 and insisted instead on taking a perspective view of this problem industry. This is not to say that he was not grateful even for small mercies, or that he under-rated either the achievement of the year or the happy turn that events started taking in 1955. As far as I can make out—and I may claim to have been a close student of the jute industry for at least two decades—he did not forget to mention even a single development in the year of any significance to the industry. Nevertheless, throughout his speech, one could see his emphasis was mainly on ensuring the stability of the jute industry, because it happens to be an industry which earns for this country a sizable amount of foreign exchange, in particular dollars. And let us not forget that the weakest feature of the second Five-Year Plan is its foreign exchange budget. In fact, the I.J.M.A. Chairman said this in as many words when, whilst making a brief reference to the jute industry and the second Five-Year Plan, he said: "Ours is not an industry in which any large-scale expansion is contemplated under the second Five-Year Plan, but this does not mean that we have not a most important role to fulfil. The Plan will greatly increase India's requirements of foreign exchange. The jute industry is the principal foreign exchange earner in the country and upon our ability to maintain and develop our export markets a great deal will depend."

Now, if the stability of our jute industry is to be ensured, there are a few important pre-requisites, such as an abundant and steady supply of the raw material at reasonable prices, production of manufactured goods to the maximum capacity of the industry and an assured disposal for this production, that is maintenance of our markets, especially the export market. These are no doubt common to all industries, but there are certain aspects in respect of each which are peculiar to the jute industry. For instance, in the matter of supply of raw jute, India has still to depend for a full fourth of its requirements on Pakistan, so that she is vitally concerned not only with the fate of the Indian jute crop but also the Pakistan jute crop.

In regard to every one of these, Mr. Birla had commendable suggestions to make, and one hopes these will receive due attention in the concerned quarters. There is no reason why they should not, especially as, in his capacity as the accredited spokesman of the jute industry, he found himself in the rather rare position (rare, I say among spokesmen of industries) of acknowledging and paying fulsome tribute to the Government for its active assistance and encouragement to the jute industry. The abolition of export duties and the special grants amounting to some 850,000 for the industry's export promotion activities are but two concrete proofs of the Government's keen interest in the jute industry.

In regard to raw jute, the value of which constitutes nearly two-thirds of the total costs of production

of jute goods (as against 52.03 per cent that the value of raw cotton constitutes in the total costs of production of cotton goods) it is a known fact, as Mr. Birla pointed out, that, for years now, the uncertainty over the availability of raw material has been a constant source of anxiety. During the past few years, the combined crop of India and Pakistan has varied between 70 and 110 lakh bales, that is by as much as 40 lakh bales, with the concomitant wild fluctuation in prices, so that the goods market has naturally lacked stability, an essential desideratum in so far as our export markets are concerned. Accordingly, Mr. Birla did well in pressing the powers that be to implement the recommendations of the Expert Committee on Jute (Dr. Narayanaswamy Committee) set up in 1953, especially those which are designed to make India self-sufficient in jute at a very early date. It is the conviction of the jute industry that, "if the improved seeds and methods of cultivation which have been evolved were generally applied, India could produce all the additional raw jute she needs without any increase whatsoever in the existing acreage under jute; but if the problem is approached from the twin points of view of increasing the acreage yield and improving the quality of the crop as well, the cultivator would automatically obtain a better return for his land."

With regard to the production of manufactured goods to the maximum capacity of the industry, the I.J.M.A. Chief's observations on the progress of modernisation of the jute mills are highly encouraging. It is noteworthy that the industry has already been engaged on this work for a number of years now. During 1955, we are told, further substantial progress was made, approximately one-third of the programme having been completed by the end of December last. The entire estimated cost of this, of about Rs. 15 crores, has been found by the jute mills themselves out of their own resources. As for those mills which have been unable to find the money, the arrangements for the grant of loans through the National Industrial Development Corporation, thanks to the good offices of the Government, again, should enable them to undertake and accelerate the modernisation programme. This modernisation should also help the industry "to operate at the highest level of efficiency and reduce its production costs", which is clearly essential if the Indian jute industry has to face the growing competition in the world's export markets.

This takes us to the third important pre-requisite, namely maintenance of our markets, especially export markets, to ensure the disposal of the maximum output of our jute mills. It must be remembered that, despite the recent two unsealings of looms—first of 2½ per cent and, subsequently, of a further 5 per cent—there still remains to be unsealed another 5 per cent of the total 12½ per cent of jute looms sealed in 1949. It is not difficult to visualise how great the problem of disposal of the full production of the entire industry, when completely modernised, would be. On this point, fortunately both the jute industry and the Government of India are of one opinion, and there is the maximum degree of co-ordination of efforts as between them. How imperative and desirable this at once is must be evident to anyone who heard Mr. Birla, or read his speech, in the course of which he dwelt at length on the severely keen competition that Indian jute goods have to face

Fly to Tokyo

a flight every Thursday, every Sunday

BUSINESS in Japan? Fly there and settle it on the spot. Our twice-weekly service enables you to get there and back — all in seven days!

It's Constellation luxury, now with **Slumberette**... courteous hostesses to look after you. Stop over in Bangkok and Hong Kong if you wish — at no extra cost.

- Flights on Thursdays and Sundays
- Constellation comfort
- Choice of Tourist or Luxury Class

AIR-INDIA International

9-A Connaught Place, New Delhi
Tel: 40503

up to **15%**

**MORE PETROL MILES
WITH
CALTEX
RPM 20-40 SPECIAL**

Drivers of all types of vehicles in every conceivable climatic condition report up to 15% more petrol mileage. With Caltex RPM 20-40 Special, you get all the advantages of three different grades. Available now, in one-gallon, blue and gold tins.



First in India!
only at Caltex stations

M 52

**THE
UNITED COMMERCIAL BANK LTD.**

HEAD OFFICE: CALCUTTA

London Branch: 15, THROGMORTON AVENUE, E.C. 2.

G. D. BIRLA Chairman

Subscribed Capital	Rs. 4 Crores
Paid Up Capital	Rs. 2 Crores
Reserve Fund	Rs. 95 Lacs
Total Working Funds (as on 31.12.55) Over	Rs. 81 Crores

Branches in INDIA, PAKISTAN, BURMA,
MALAYA & HONGKONG

Agents all over the world

S. T. SADASIVAN
General ManagerRupee Travellers' Cheques issued in convenient
denominations.

**DADABHAI NAOROJI
MEMORIAL PRIZE**

The Dadabhai Naoroji Memorial Fellowship of the value of Rs. 3,000 (three thousand) established by the Trustees of the Dadabhai Naoroji Memorial Prize Fund is to be awarded for the year 1956 in the subject of Economics. Nominations are now sought for this award. Persons of Indian nationality who have contributed to the science of economics or done their best to advance the economic interests of the Indian Union during the period of five years ending 31st December, 1955 are eligible. The contribution may have been through publication of significant professional literature, participation in professional activities or valuable achievement in any other manner.

All nominations should be made together with four copies of (i) publications, if any and (ii) a detailed statement containing information upon which recommendation is based, not later than 30th May, 1956 to the Secretary, Dadabhai Naoroji Memorial Prize Fund (Bombay Presidency Association Rooms,) 107, Mahatma Gandhi Road, Bombay 1.

The selected Fellow shall have to deliver in Bombay a series of not less than three and not more than five lectures on the subject. Travelling and halting allowance will be paid to the Fellow.

today. According to him, between 1946 and 1949, India was supplying more than 95 per cent of the USA's total requirement of hessians, whereas, despite the increase in exports recorded last year, India's share of the US market was only 84½ per cent with almost all the Middle Eastern countries and Turkey—the latest to join the list having their own jute mills and with the expansion of their most modern jute industries by Pakistan and Japan, the competition has been steadily and rapidly intensifying. Last year, Japanese exports of jute goods to the USA increased by 50 per cent. Pakistan exported in the last quarter of 1955, four times more than in the first quarter of that year—to about 8000 tons from 2000 tons. Against this background, it cannot but be heartening to any Indian to note the pointed stress of Mr. Birla on public relations and propaganda, especially in foreign countries, to keep Indian jute goods always within sight of the extremely discerning consumers of these goods.

A notably gratifying development of recent origin which holds out great promise, as the I.J.M.A. Chief observed, is the growing home market, what with all the expansion envisaged under the second Five-Year

Plan. It is needless to labour the obvious point that, to the extent that the home market for our jute goods expands, the country can cease to rely on undependable and unpredictable foreign markets. Moreover, as Sir Shri Ram recently said in reference to cotton textiles, there are always greater possibilities of expanding our export markets if we also have an assured and abundant home market. From this point of view, it is noteworthy that the internal consumption of jute goods in 1955 rose sharply by more than 50 per cent to a level of 169,000 tons.

Finally, I would like to draw attention to the need for the constitution of a futures market for jute and jute goods. From what Mr. Birla said, it is clear that great havoc is being caused (to the jute industry particularly and to the country's economy generally) by the unhealthy speculation that is rampant in the 'fatka' market that has been flourishing in Calcutta, despite the West Bengal Government's ban on futures trading in jute goods. Here, again, the remedy is only to implement the more-than-two-year-old recommendation of the Jute Enquiry Committee of 1953.

LATEST ON SHIPPING

By
CRÆSUS

I DO not know to what extent either the Government or the shipowners will heed the splendid exhortation made, at the meeting of the Standing Transport Committee of the Congress Parliamentary Party, early this month, by Mr M. A. Master, that veteran who has laboured for more than three decades to promote Indian shipping, but I would assert that, situated as India is to-day, it is imperative that both of them should do so. For, today, it is not merely a question of Indian ships carrying as large a percentage of the country's coastal and overseas trade—although that too is important—but also one of elementary security. As Mr. Master put it graphically (also geographically), "with the Bay of Bengal on the one side, the Arabian Sea on the other, and the waters of Indian Ocean washing her feet, India occupies not only a strategic but also a vulnerable position in the regions of South-East Asia, the Middle East and Africa". This apart, the fundamental tenets of our foreign policy, of dynamic neutrality for the preservation of international peace and friendship with all nations, impose on this country obligations which make a substantial merchant navy to buttress this policy a grave and compelling necessity. And, unfortunately for India, this has not yet been sufficiently realised.

Mr. Master asked the State and the shipowners to put themselves two questions every day, one when retiring for the day: "What have we done today to further the cause of Indian shipping?", and another when they begin their work for the day: "What shall we do today to carry forward the flag of Indian shipping?" While the State and the shipowners might ask, and also find answers to, these questions, I feel, the public ought to know clearly what the position of Indian shipping today is and what the shipowners have done so far. Such becomes all the more relevant by reason of the intriguing situation that has arisen as a result of two fresh developments. The first is the threat, albeit well-meant, of our Transport Minister, Mr. Lal Bahadur Shastri, that "if the shipping companies do not come up to our expectations, the Government would naturally like to fill the gap," and, the second, the threatened move to transform loans given or to be given to private industrial undertakings into equity capital.

From the figures quoted by Mr. Master himself, I have compiled two tables, one showing the progress of Indian shipping and another showing the progress of shipping in some other countries which have had as serious—if not more serious than—handicaps as this country.

	INDIA	
	Ships	Tonnage (g.r.t.)
January, 1946	42	98,286
April, 1951	97	3,86,229
January, 1956	116	4,70,079
End of 1957	133	5,69,373
1st Five-Year Plan target	—	6,00,000
2nd Five-Year Plan target	—	10,45,000

	TABLE II	
Country	End of 1945	July, 1955
Germany	75,000	2,822,738
Japan (app.)	1,00,000	3,700,000
Italy	3,50,000	3,910,650

Compared to the world tonnage of 100.56 million g.r.t. on July 1, 1955, the tonnage of India actually employed in the coastal, the adjacent, and the overseas trades, on January 1, 1956 at 116 ships of 470,079 g.r.t. constitute less than half a per cent. Singularly enough, India's share of the international trades (in 1951) was slightly better, being over two per cent. But even so, India's tonnage as a whole is below those of even much smaller countries like Argentina (1,043,056 g.r.t.), Brazil (892,823 g.r.t.), Finland (730,573 g.r.t.) and Turkey (532,123 g.r.t.).

Slow as this progress undoubtedly is, the contribution of private enterprise to the growth of Indian shipping has not been inconsiderable. Thus, out of a total investment of about Rs. 60 crores, since January 1, 1946, as much as Rs. 40 crores, have been provided by shipowners, whereas the total amounts advanced by the Government to Indian shipping companies as loans amount to only Rs. 20 crores. That the Indian shipping companies could do even as much as this in the face of all their difficulties and handicaps needs to be praised, not cavilled at, as seems to be the fashion in certain quarters. After the exhaustive manner in which these

handicaps, were recounted by Mr. Master, it is unnecessary for me to catalogue them here.

What I fail to understand is that, while everyone seems to be quite enthusiastic about developing Indian shipping, our Planning Commission should be so conservative. Considering that, by the end of 1957, the Indian tonnage would not after all be very much short of the target indicated in the first Five-Year Plan (only 30,627 tons) there was surely no cause for the Planning Commission to drop down from the target of 15 lakh tons proposed by itself in the first draft frame of the Plan to just 9 lakh tons. It is strange that the Draft Outline of the second Plan does not give any reason for this unusually drastic reduction and also for bringing down the provision of finance from Rs. 80 crores proposed earlier to Rs. 55 crores, even which, be it noted, is inclusive of Rs. 10 crores to be contributed by shipowners.

Stranger still is the quiet acceptance of this reduction by the Transport Minister. For, when the shipowners recommended a net addition of 4.45 lakh tons (g.r.t.) under the second Five-Year Plan, not only did the Transport Ministry approve of this, but the Transport Minister himself declared publicly that, personally, he would have liked to go much beyond the target of 10.45 lakh g.r.t. at the end of the second Plan period. But, when the Planning Commission actually released its Draft Outline of the second Plan, all that Mr. Lal Bahadur Shastri said was: "These provisions fall very much below what we would have accepted. There is, however, no help, because the limitations of finance cannot be got over". It must, however, be added that, more recently, he has held out the assurance that, "if those connected with shipping are able to utilise the funds at our disposal at the earliest, more funds might be forthcoming to help in further increasing our tonnage". One only hopes,

as Mr. Master observed, that there will be prompt and willing response to this lead in accelerating the pace of expansion of India's shipping tonnage.

But, if this is to happen, the Government also must co-operate with and actively assist shipping interests, even as governments in other countries have done, and are still doing. Take, for example, the case of Germany. Under paragraph 7(d) of her Income Tax Law, she has exempted profits of any industry from taxation to the extent they are given as loans for the purpose of building ships. (It is estimated that for four years up to 1954, as much as Rs. 140 crores were thus made available to German shipping interests). A bill was introduced in the German Diet more recently to exempt from taxation at least 25 per cent of the profits of shipping to be utilised for the construction of ships by 1962. The result of all these has been the sharp rise in Germany shipping tonnage from 75,000 g.r.t. at the end of 1945 to 2,632,738 g.r.t. on July 1, 1955, as indicated in Table II above. Similar facilities and encouragement have been afforded to shipping interests in Japan and Italy with equally remarkable results. But despite repeated requests, Indian shipping, which is admittedly the poorest in resources, has not been given much encouragement. Even in matters such as rates offered to Indian ships for carrying Government cargo, allowing our shipping companies to raise freight rates, and relief in regard to taxation and depreciation allowances, the official attitude in this country has been far from helpful. It seems to have been blissfully forgotten by the authorities that continuous financial sacrifices and no financial rewards, as has been the lot of many an Indian shipping company, cannot help to establish, and much less to expand, an industry, certainly not the shipping industry. The need of the hour, therefore, is not to pick holes in each other's coats but for both Government and shipping interests to come closer together to work for the common end—the glory of Indian shipping.

Economic Report from the U. S.

IKE'S FOREIGN AID MESSAGE

(BY BUY SIMS FITCH)

WASHINGTON, Mar. 20.—When viewed in perspective, 'The Foreign Aid Message,' President Eisenhower sent to Congress this week contains some new and important departures. It reverses a trend of three years' operation by requesting a substantial increase in new appropriations. It asks Congressional approval for a long-range approach to the needs of less-developed lands. And it lays even greater stress than heretofore on the economic requirements of areas outside of Europe.

For the fiscal year beginning next July 1, the President is asking Congress to appropriate \$4,900 million in new aid funds. This compares with \$2,700 million for the current fiscal year and \$2,800 million for the preceding year. While \$4,900 million does not appear large in an over-all Federal Budget of more than \$60,000 million, it, nevertheless, is one of the largest single Budget items. It is, for instance, six times as much as the Federal Government currently is spending on highways, four times as much as on all power and water development projects.

As Mr. Eisenhower points out in his message, a large-scale programme of aid to other countries may mean the postponement of desirable economic projects in the United States. But its demonstrated success in fostering international stability and economic growth is considered well worth the effort. Nearly every major aid category is involved in the proposed appro-

priation increase for the coming fiscal year. The military request of \$3,000 million represents a sharp rise over the \$1,000 million voted by Congress for the current year. Most of the proposed outlays would be used to replenish reserves so as to assure future delivery of equipment, it takes time to manufacture. More than half the military total—\$1,640 million—would go to Asia and the Middle East, where the risk of aggression is considered serious.

The President makes it clear in his message, however, that a country need not accept military aid as a prerequisite to economic aid. On the economic side, the President's message calls for \$1,900 million in new aid funds—about \$200 million more than was appropriated for the current year. Virtually all of this will go to areas outside of Western Europe, which has registered a heartening economic upsurge in the past two years. In addition, the President proposes a special \$100 million Fund for Asian development to match in a similar sum appropriated last year, and a new special \$100 million Economic Aid Fund for use in Africa and the Middle East. One of the significant aspects of the President's programme is his request that Congress approve long-range economic commitments—to run up to 10 years but not to exceed \$100 million in any one year—to assist less-developed lands with long-term projects important to their development.

BUSINESS NOTES

IMPORT TRADE PROBLEMS

IN SPITE of the progressive relaxation of import trade controls during the last two years, there are still some snags left in the import policy. One such, for instance, is the canalisation of imports of some of the industrial raw materials like raw silk, caustic soda, and soda ash through official or officially-sponsored agencies. Besides displacing the established trade channels traditionally engaged in their respective lines for a long time and thus adding to the unemployment problem, this has the added disadvantage of removing the element of competition, which is so essential to enable the indigenous industry to secure the raw materials at economic prices. Now, imports of raw silk from China are handled by the Central Silk Board, while two other agencies have been exclusively entrusted with the work of importing soda ash in return for a 12½ per cent margin over landed costs. The declared objective of the Government in this regard no doubt is to ensure adequate supplies of raw materials at reasonable prices to industrial consumers. But this objective could well be achieved in a different, but more acceptable way. Thus, instead of sponsoring monopoly imports, the Government could exercise effective control over prices at which the goods in question are imported and sold to indigenous consumers. Mention may be made here of the system of importation, which was recently announced in respect of soda bicarbonate, and which, in fact, to a certain extent, meet the view-point of the trade. Under this system, it may be noted, applications are invited from traders in this line and preference is given to those applicants who are able to effect economic imports at competitive prices.

Another cause for serious complaint is the lack of proper co-ordination between the Import Trade Control and the Customs authorities. On certain occasions, importers are not in a position to ascertain, in time, the exact classification of articles intended to be imported. The unduly long time taken in completing various formalities often causes the importers considerable loss of time and money. Holding up of goods, especially for seasonal goods like woollen fabrics, at the docks for several weeks results in such goods having to be carried forward to the next season, thereby needlessly blocking the funds of the importers, besides adding to the stringency in the money market and thus adversely affecting other sectors of the economy as well. Varied executive instructions, issued from time to time, have made the customs procedure both complicated and cumbersome. In all conscience, the Sea Customs Act of 1871 has become outdated and ill-suited to the needs of our growing economy today. This stresses the need for a thorough enquiry into, and a recasting of, the Act itself, as also the rules framed, thereunder.

No doubt, the import policy is framed with a view to securing a speedier industrial development of the country. It has also taken into account the magnitude of the requirements of the Plan and the shortfall of the available resources. By extending the basic period to 135 items in the current half-year and enhancing the value of small licences, it has afforded further trading opportunities to commercial interests. All these have been welcomed by trade and industry alike. But as Mr. Bilgrami, the Chief Controller of Imports and Exports, pointed out when the Committee of the Indian Merchants' Chamber met him recently, the present policy of progressive liberalisation will sooner or latter have to be reversed, by reason of the fact that the country will be requiring larger foreign exchange resources to meet its developmental needs under the second and

subsequent Five-Year Plans. But the answer, or even a part of the answer, does not lie in the proposal to establish a State Trading Corporation to handle foreign trade. It is not surprising, therefore, that this has come in for a good deal of criticism. Now, one of the declared objects of the State's entry into the sphere of trade is to augment its resources to finance development plans. But trading is not that easy, and profits do not turn up overnight and are not always assured. Trading operations are often exposed to risks of large losses, and the skill and techniques needed by those who handle foreign trade are acquired only by practical experience over a number of years. Success in trading requires a close and continuous watch over the market situation, changes in tastes and price trends, and a readiness to take normal risks and quick decisions. A State-sponsored institution would, by its very nature, be too slow in taking proper decisions so that there is every likelihood of its incurring losses. And when a State Corporation incurs losses, these have necessarily to be passed on to the taxpayers whose capacity to bear even such avoidable burdens is steadily shrinking.

BONUS PAYMENT TO BOMBAY TEXTILE LABOUR

THE PAYMENT of bonus to a quarter million textile workers in Bombay as per the five-year pact of January has unfortunately encountered certain initial difficulties owing to the recalcitrant attitude of a section of the workers. Though the majority of the workers have already accepted the first instalment of the bonus payable to them, nearly 30,000 workers, who are evidently under Communist influence, have refused the payment, probably because they are not satisfied with the minimum of 15 days' basic wages paid by loss-making mills. Apparently, these workers forget that, in 1952, workers of as many as twenty textile mills did not receive any bonus, as these mills sustained losses. If not, they would have realised that the January agreement has, indeed come as a blessing to labour. Fortunately, the unco-operative attitude of these 30,000 workers cannot torpedo the agreement, since it has a wide measure of support. Nevertheless, the present piquant situation underlines the necessity of having one union per industry at each place.

If the pact is implemented 'in toto', it will involve the payment of six crores of rupees as bonus to the textile workers of Bombay for the first three years of the first Five-Year Plan period. The first instalment itself, consisting of bonus for the year 1953, will be over Rs. 1.75 crores. The Bombay agreement, it should be stressed here, confers certain benefits on the workers which neither the Ahmedabad nor the Indore pact did. First, there is a clear provision for the judicial revision of the industry's rehabilitation quota, which has hitherto been taken as a prior charge on the industry's profits before bonus was calculated. Secondly for the purpose of bonus calculation for the year 1956 and 1957, the mills have agreed not to treat the development rebate on new capital expenditure as a prior charge on profits. Thirdly, under the new Companies Act, which will come into force from April, the Managing Agents' Commission is required to be kept much lower, thereby swelling the amount available for distribution as bonus.

There are only four mills in Bombay which have still not signed the agreement, and it has been suggested by labour interests that the Rashtriya Mill Mazdoor Sangh should approach the Government to compel these

mills to become parties to the pact under the provisions of the Bombay Industrial Relations Act. Before resort is had to such a course, however, it would be graceful on the part of the four mills to become participants in the agreement. Even if they are "conscientious objectors", they may sign the agreement "under protest", if need be. In any case, there is neither profit nor point in their staying out of the agreement, if only because of the supreme need to ensure industrial peace during the Second Plan period.

THE "SIX PER CENT MENTALITY"

THE "SIX PER CENT MENTALITY" of New Delhi was criticised by Mr. E. D. Sheppard, Chairman of the Kohinoor Mills Company Ltd. at its annual general meeting held last Monday in Bombay. The proposed tax on dividends above 6 per cent of the paid-up capital will cost this company Rs. 2 lakhs per annum, assuming that the present rate of dividend distribution is maintained. In fact, the tax acts most unfairly against all companies which have prudently accumulated substantial reserves from the taxed profits of the previous years and is thus a sort of penalty for prudence. It is quite unreasonable that risk capital should be allowed only a return of 6 per cent, without penal tax thus, particularly at a time, when it is proposed to attract a substantial degree of foreign capital for the success of the second Plan. It may be remembered here that the British Bank Rate is as high as 5½ per cent today.

The mill industry generally has had a reasonably good year, according to Mr. Sheppard, but he felt the Planning Commission's decision to "freeze" mill production at its present capacity to be rather disconcerting. During the year under review, trading in Indian cotton remained free of all restrictions on account of ample availability, and foreign cotton prices were fairly steady.

As regards the effect of the new Budget proposals which provide for the enhancement of the excise duty by 6 pies per square yard, the Kohinoor Chairman said that the Company would have to pay Rs. 9 lakhs more to the Government. Besides, in view of the bonus pact, it is calculated that the Company will be required to pay three months' basic pay as bonus for 1953, 1954 and 1955. It has, therefore, been necessary to provide in the accounts for 1955, Rs. 4.43 lakhs in respect of 1954 in addition to Rs. 16.57 lakhs for 1955. The balance sheet, however, shows the strong financial position of the Company. Current assets at Rs. 2.88 crores exceed the current liabilities and provisions by Rs. 1.45 crores. The insurance value of the mills property and stocks on the basis of their reinstatement value now stands at Rs. 10.51 crores, which is higher by about Rs. 36 lakhs. Future prospects also appear bright. The Company has nearly completed a comprehensive programme of expansion and rehabilitation in the last 10 years. The outlook for cloth continues to be good and the yarn market is showing signs of improvement. Further, the selling agents have agreed to a reduction of 25 per cent in their commission. All these should be reflected in the profits for the current year.

ALKALI AND CHEMICAL CORPORATION

THE AUDITED accounts of the Alkali and Chemical Corporation of India Limited for the year ended 30th September, 1955, disclose another big step forward in the Corporation's progress. The net profit after depreciation amounts to Rs. 19.4 lakhs which is more than twice the figure for the previous year. The total amount available for distribution is Rs. 22.9 lakhs. On account of the initial allowance on the new plants of

the Corporation there is no liability for taxation. A sum of Rs. 12.5 lakhs has been transferred to the Reserve for Deferred Income-tax Liabilities, which now totals up to Rs. 23.2 lakhs. The Dividend Equalisation Reserve gets an allocation of Rs. 2.73 lakhs. Dividend on preference shares for the year under report absorbs Rs. 1.55 lakhs. The Directors have recommended a dividend of 8 per cent on ordinary shares which is 2 per cent higher than the dividend of the previous year.

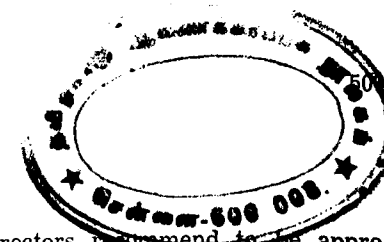
The Chairman, Mr. N. D. Harris, has explained the details of the progress registered last year. Except for acute competition in liquid chlorine, the climate for the Corporation's products was stimulating. It is important to note that the Chairman has made special reference to the considerable dislocation caused to the Company's work and to the paint trade in general by the imposition of the excise duty on paints in the current financial year. It appears that much of the inconvenience results from the administration of the tax on a product covering a complex range of manufactures.

WORKERS' PARTICIPATION IN MANAGEMENT

THE RAILWAY MINISTER'S reference in his budget speech to the policy of introducing workers' participation in the management of railways evoked immediate response from enthusiasts in Parliament and there was a pressing suggestion that the proposal should be taken up for implementation. The trend of the discussion unfortunately revealed that adequate thought had not been given to this far-reaching idea and the practical implications had not been worked out even in broad detail. All that Mr. Lal Bahadur Shastri promised was that workshops would be preferred as suitable priority centres for carrying out this experiment.

Experience in other countries should prove helpful, but it has a basic limitation in that the precise pattern of workers' participation ought to be evolved according to regional peculiarities. In a recent address delivered before the Bombay Management Association, Mr. M. R. Masani, the Association's Vice-President, narrated his observations in the working of labour participation in management in Yugoslavia and West Germany. In Yugoslavia the scheme as it is in operation amounts to joint consultation and not effective participation. Workers' level of training and the presence of dictatorship in the country have hampered progress. Nevertheless, the psychological effect on workers has proved the value of the scheme. In West Germany what is described as the system of co-determination prevails in the coal, and iron and steel industries. Elsewhere it assumes a diluted form. For the present there is evidence that productivity and labour relations have improved. Mr. Masani, however, refrains from drawing positive long-term conclusions about the success of co-determination. He points out that such a conclusion would be premature because this system has been tried in a phase of industrial prosperity. Recession would provide an acid test of its soundness and feasibility. Nevertheless, he feels that it need not be regarded as unworkable. Applying his observations to this country, he makes an important suggestion which is worthy of close consideration. Existence of two parties alone, workers and management, would in most cases result in frequent deadlocks. He suggests a tripartite pattern to include representatives of shareholders, the general body of workers, and technicians and managers in equal proportions. As for workers' representatives, he has no doubt that they should be from among their own class and not from the class of outside leadership of trade unions. Workers have usually shown an intelligent and sympathetic understanding of the problems of their own industries.

COMPANY AFFAIRS



ROHTAS INDUSTRIES LTD.

The working of the Rohtas Industries for the year ended October 31, 1955, has shown all-round improvement in production in the various factories, except in cement where there has been a marginal decline. However during the first quarter of the current working year, production has again shown improvement. The modernisation and expansion of the paper factory is proceeding satisfactorily. A new Coating Machine is expected to go into operation shortly and the entire demand of Indian market for coated varieties of boards can be met from its production. The Vanaspati factory worked in full swing, its production having gone up about ten times from 688 tons in 1953-54 to 6,857 tons during the year under review. The results in respects of other factories like sugar, caustic soda, power, etc. are also satisfactory.

The accounts of the year are as given below:

	Rs.
The year's working, after providing overheads, etc., shows a surplus of	1,50,64,650
Provision for Managing Agents' remuneration, depreciation, etc.	66,87,255
	83,77,395
Leaving a sum of	
Add amount brought forward from last year	4,46,951
	88,24,346
Making a total of	

The Directors have made provision for bonus to staff and workmen for the years 1951-52, 1953-54 and 1954-55, amounting to Rs. 25,81,272. A sum of Rs. 15,00,000 has been transferred to General Reserve, leaving a balance of Rs. 47,43,074. The Directors have recommended payment of dividends, free of income-tax, at Rs. 9 per share on 20,000 Cumulative Preference Shares, Rs. 1,80,000; on 85,047 'B' Cumulative Preference Shares at Rs. 4-4 each, absorbing Rs. 3,61,450; and on 11,40,000 Ordinary (Old) Shares at Rs. 1-3 per share (i.e., 15 per cent) absorbing Rs. 17,10,000, totalling Rs. 22,51,450. Reserve for taxation takes Rs. 20,00,000 and the balance of Rs. 4,91,624 is proposed to be carried forward.

SHREE KRISHNA GYANODAY SUGAR, LTD.

The Directors' Report of the working of the Company during the year ended July 31, 1955, shows that the factories at Hathwa and Lauriya crushed 31,51,972 and 27,39,217 maunds of cane and, with the sugar recovery of 10.13 per cent and 10.57 per cent, produced 3,29,406 maunds and 2,89,620 maunds of sugar respectively. There has been a shortfall in the production of Distillery products which is hoped to improve in the current year. Along with the Rohtas Industries Ltd., the Company also undertook refining of imported raw sugar. During the year, the Company issued a further Rs. 20 lakhs Ordinary Capital. The working results are given below:

	Rs.
After providing for all overheads, etc., the working shows a surplus of	18,66,708
Provision for Depreciation	5,67,137
	12,99,571
Leaving a sum of	
Add last year's balance brought forward	5,475
	13,05,046
Interim dividend on ordinary shares @ Re. 1 per share, free of income-tax	2,00,000
	11,05,046

This amount the Directors recommend to be appropriated as follows:

	Rs.	Rs.
Dividend for the period under review, free of tax on 6,000 'A' Preference Shares at Rs. 6 per share	36,000	
On 12,000 'B' Preference Shares at Rs. 5 per share	60,000	
On 2,00,000 Ordinary Shares a final dividend of As. 12 per share (making a total of Rs. 1-12 or 17½ per cent)	1,50,000	2,46,000
Provision for taxation		7,25,000
Transfer to General Reserve		1,00,000

The balance of Rs. 34,046 is to be carried forward.

THE AHMEDABAD ELECTRICITY CO., LTD.

The Directors' Report and the audited accounts of the Company for the year ended September 30, 1955 show that the gross profit, after charging depreciation amounting to Rs. 36,34,214, amounts to Rs. 36,11,988. To this is to be added Rs. 6,00,000 transferred from Equalisation of Dividends Reserve and Rs. 1,517 brought forward, making a total of Rs. 42,13,505. After providing Rs. 3,27,722 for Statutory Contingencies Reserve, and writing off Rs. 36,408, Rs. 55,680 have been taken to Employees' Retiring Gratuities Reserve. Then there remains a balance of Rs. 37,93,695 from which Rs. 18,25,090 have to be deducted as ad-interim dividend of Rs. 2-8 per share. Of the balance of Rs. 19,68,605, a dividend for the half-year ended September 30, 1955, at Rs. 2-8 per share (making 5 per cent for the year) absorbs Rs. 19,68,417, leaving a balance of Rs. 188 to be carried forward.

There was no change in the rates during 1954-55. In accordance with the decision of the Central Electricity Authority, a surcharge of 3½ per cent was introduced on October 1, 1955, on supplies to industrial and commercial high tension consumers.

The third 15 M.W. Turbine and the fourth Boiler in 'C' station were brought into commission in March-April, 1955. Coal deliveries were not satisfactory, the daily stock having dwindled from about 21,000 tons in October, 1954, to 17,000 tons in September, 1955. However, since the close of the year, the position is improving. Eight new sub-stations for general supply, three for rural electrification and three for municipal drainage pumping and tube-well stations were erected and commissioned.

THE NEW BANK OF INDIA LTD.

The Directors Report shows that the total working capital of the Bank, during the year ended December 31, 1955, has gone up from Rs. 90,62,759 to Rs. 1,06,11,338. Deposits have increased by 10.7 per cent, from Rs. 65,75,563 to Rs. 72,85,208. The proportion of cash and other liquid holdings of the Bank to its total liability comes to 66 per cent, as in the last year, and compares with 54.13 per cent for all banks in India during 1954.

Profits for the year under report are Rs. 1,61,025. Including Rs. 52,377 brought forward, the total amount available for disposal is Rs. 2,13,402. Statutory reserve takes away Rs. 62,965; General Reserve Rs. 34; Charity Rs. 5,000; Divided at As. 4 per share, amounting to 5 per cent p.a. takes Rs. 74,637. The remaining amount of Rs. 70,765 is carried forward.

COMMODITY NEWS AND NOTES

FOREIGN EXCHANGE EARNINGS FROM LAC EXPORTS

Foreign exchange earnings from lac exports increased further to Rs. 125,900,000 in 1955, compared with Rs. 92,300,000 in 1954 and Rs. 75,000,000 in 1953. In addition to higher prices realised last year, the quantum of exports also improved to about 594,099 cwt. compared with 522,818 cwt. in 1954. The increase in lac exports was shared by all grades, but the demand was particularly heavy for shellac, which accounted for Rs. 78,900,000 last year against Rs. 51,800,000 in 1954. The quantum of shipments was also higher at 324,589 cwt. against 252,012 cwt. Earnings from seedlac increased from Rs. 32,300,000 in 1954 to Rs. 36,100,000 in 1955 and those from button lac from Rs. 2,400,000 to Rs. 3,700,000. Seedlac shipments were a shade lower at 173,777, but buttonlac exports were better at 15,395 cwt.

In addition to the USA and the UK, India's principal customers, Communist countries also emerged as substantial buyers of Indian shellac.

INDONESIAN TEA EXPORTS

Tea exports from Indonesia declined sharply to 64,400,000 lbs. in 1955 from 88,500,000 lbs. in the previous year. Lower off-take by Indonesia's principal customers—Holland, Malaya, the U.K. and the U.S.A.—was mainly responsible for the shortfall.

While shipments to Holland and Malaya dropped from 30,700,000 lbs. and 20,300,000 lbs. in 1954 to 25,400,000 lbs. and 10,900,000 lbs. respectively last year, those to the U.K. and the U.S.A. declined from 10,800,000 lbs. and 8,500,000 lbs. to 9,200,000 lbs. and 5,900,000 lbs. respectively.

On the other hand, exports to Australia, South America, including Central America and the West Indies and the Irish Republic showed some improvement last year at 3,700,000 lbs., 19,338 lbs. and 864,356 lbs. respectively.

EXPORT PROMOTION COUNCILS FOR MICA, SHELLAC, HIDES AND SKINS

On account of the export importance of mica, shellac, hides and skins, export promotion councils are being set up soon. The headquarters of mica and shellac promotion Councils will be Calcutta, while hides and skins Council will be registered in Madras. This would increase the total promotion Councils to nine. It is further reported that the Cotton textile export promotion Council is now opening three new offices. The office will be located at Baghdad, Jakarta and West Africa. The Baghdad office will cover, besides Iraq, the Persian Gulf, Syria, Lebanon, Jordan, Israel, Turkey, Cyprus, Iran and Afghanistan. The Jakarta Office will look after the markets in Indonesia, Singapore, Malaya and Thailand.

The textile export promotion Council recently sent a delegation to Burma, Thailand, Singapore, Malaya, Indonesia and Ceylon to make a close study of markets in these regions. Similarly the Silk and Rayon Textile Council and the Engineering Export promotion Council seem to have done useful work. It is hoped that these Councils would succeed in tapping the markets abroad.

WORLD COPPER OUTLOOK

Mr. L. S. Cates, Chairman, and Mr. R. G. Page, President, of Phelps Dodge, told stockholders in their annual report that an increased supply of copper from new mines plus higher output of the industry if free from work stoppage, should result this year in a world supply approximately in balance with demand and a "more suitable" price level abroad. The officials said that new and expanded production from mines both here and abroad should supply in the neighbourhood of 200,000 tons of additional copper in 1956. Moreover,

under strike free conditions, approximately 155,000 tons which were lost by strike should also be available.

The report disclosed new peaks of earnings which were 75 per cent higher at \$73,804,099, compared with a net income in 1954 of \$42,547,811. The report revealed that arrangements between Phelps Dodge and the American Smelting and Refining Company, Cerro de Pasco Corporation and Newmont Mining Corporation for the joint ownership and development of Copper properties in Southern Peru have been concluded.

EXPORT OF COTTON

The Cotton Adviser to the Textile Commissioner Government of India has advised the exporters of cotton to make every possible effort to utilise the export licenses issued in their favour by March 31, 1956, so that they may not lapse. The Cotton Adviser has stated this in reply to a communication for the Cotton Buyers Association, Bombay, requesting the Government of India to extend the validity of cotton export licences for a further period of six months beyond March 31, when licenses are due to expire.

FUTURES TRADING IN PEPPER

The Government of India have accepted the recommendation of the Forward Markets Commission that recognition should be granted for a period of three years to an association that may be constituted at Cochin for carrying on futures trading in pepper. By a notification issued on January 25, 1955, the Government of India had applied Section 17 of the Forward Contracts (Regulation) Act, 1952, to pepper throughout India except the State of Travancore-Cochin. As a result, while the ban imposed under the Essential Supplies (Temporary Powers) Act, 1946 on transferable specific delivery contracts for the purchase of sale of pepper was continued, no restrictions were placed on forward trading in Travancore-Cochin State. The Forward Markets Commission has since examined the question of regulating futures trading in pepper and has come to the conclusion that a futures market should be established at Cochin.

THE TATA IRON & STEEL CO., LTD.

NOTICE

NOTICE is hereby given that the Register of Members and the Transfer Books of the Company will be closed from Thursday, the 12th April, 1956, to Thursday, the 26th April, 1956, both days inclusive.

Notice is also hereby given that pursuant to the Special Resolutions passed at the Extra-ordinary General Meeting of the Company held on Monday, the 12th March, 1956, the holders of Ordinary shares on the Register of Members of the Company on the 26th April, 1956, being the date fixed by the Directors pursuant to the above Resolutions will be entitled to apply for the new Ordinary shares in respect of their holdings of Ordinary shares on such date. Application and Renunciation forms will be posted to the shareholders in due course.

By Order of the Directors

TATA INDUSTRIES LIMITED, MANAGING AGENTS,

J. D. CHOKSI,

Director.

BOMBAY,

Dated 12th March, 1956.

Company Meeting

THE ALKALI & CHEMICAL CORPORATION OF INDIA LTD.

Speech delivered by Mr. N. D. Harris, the Chairman of the Alkali & Chemical Corporation of India, Limited, at the Nineteenth Ordinary General Meeting held at the Registered Office of the Company, 34, Chowringhee, Calcutta, on Wednesday, the 7th March, 1956.

Gentlemen,

The Audited Accounts and Directors' Report for the year ended 30th September, 1955, have been in your hands for some time and with your permission I propose to take them as read.

Your Company has had another successful year in which production and sales of all its products have been considerably greater than in previous years.

Production of Chlorine and Caustic Soda was higher than during the previous year. Caustic Soda sales improved but there was very severe competition in Liquid Chlorine. We were able to sell the entire amount produced but only at a considerably reduced price. An interesting factor and one of deliberate policy has been the growth in the quantity of Chlorine consumed internally for the manufacture of other profitable products. Investigations in this direction continue with vigour.

Sales of Hydrochloric Acid and Zinc Chloride, the latter a relative newcomer to our range, showed similar gratifying increases. In spite of very great competition from other manufacturers' products the demand for our well-known range of "Gammexane" B.H.C. formulations has been difficult to satisfy. To meet this your Company installed greater formulating capacity during the year and sanctioned extensions, now being constructed, to the plant making Benzene Hexachloride (B.H.C.), the basic product.

Our "Dulux" and "Duco" range of paints and allied products continue to be very popular indeed and we have been unable to meet the full demand for them. Your Directors have great confidence that the need for these high quality products will continue to grow as India develops industrially, and because of this they decided last year to double the factory's capacity. These considerable extensions are now well in hand. An important new introduction is the range of metal-pre-treatment products which, under the name "A.C.P.", have already proved popular.

I wish to mention here the introduction after the last Budget of an excise duty on Paints. This sudden imposition on a range of manufactures very different from previously excisable products caused great dislocation to ourselves and to all others in the paint trade.

Relations between the Company and its employees continued to be most cordial and the Works Committee set up at Rishra five years ago again proved its value by acting as a friendly and effective link between the management and the workers. I wish to express the thanks of the Company to all our staff and workers whose loyalty and hard work helped so much in achieving the year's good results.

I have talked primarily about what we have produced. Products do not of course sell themselves and I would like to pay a tribute to the Technical and Sales Staff of our Selling Agents, Imperial Chemical Industries (India) Ltd. They have made a remarkably fine effort in finding new markets and uses for our products. This applies in particular to our paints and "Gammexane" products. I ascribe our success in this direction during the last year very largely to their careful planning and hard work.

The net profit for the year, after providing for depreciation, amounts to Rs. 19,39,845. This is more than twice that of the previous year. The sum available for distribution is Rs. 22,93,168 which includes a balance of Rs. 1,13,627 brought forward, and a reserve for ex-

change losses previously held but now no longer required.

Once again there is no liability to taxation for the year due to initial allowances on the new plant installed, but a sum of Rs. 12,50,000 has been transferred to Reserve for Deferred Income Tax Liabilities. This brings this Reserve to Rs. 23,21,000 which equals the total tax, payment of which has been deferred by the operation of initial allowances. A sum of Rs. 2,73,000 has been transferred to Dividend Equalisation Reserve. The dividends on the Preference Shares for the year absorbed Rs. 1,55,000 and your Directors recommend the payment of a dividend of 8 per cent on the Ordinary Shares, 2 per cent higher than that for last year. If you agree to this, a balance of Rs. 1,19,168 will be left to carry forward.

You will be pleased to hear that we hope shortly to receive Government's approval to a project to manufacture polythene in India. Imperial Chemical Industries Limited, your technical advisers, have agreed to supply their process and continuing "know-how" on very favourable terms. Polythene was discovered by I.C.I. Ltd., who now manufacture large quantities in the U.K. and have licensed its manufacture in several other countries. The production, actual and projected, and consumption of polythene throughout the world have during recent years increased to a remarkable extent, and give every indication of continuing to do so.

The process will be that used by I.C.I. in the manufacture of the well-known "Alkathene" brand of polythene. The use of "Alkathene" in India has been developed by I.C.I. (India) Ltd., who have operated a plant at Calcutta for the manufacture of film from imported granules since 1953. Polythene is a tough, flexible, thermoplastic material with outstanding electrical insulating properties. Many thousands of tons are used every year throughout the world in the manufacture of packaging film, flexible pipes, submarine telephone cables, radar equipment and moulded domestic articles, to mention only some of the major uses. The largest single use of polythene in India will probably continue to be for packaging purposes, both as film and as coating on paper and jute.

The project will involve a total investment of about Rs. 3 crores for which additional capital will have to be found. Methods of raising this are being studied by your Board at the moment, but I wish to take this opportunity of telling you that it will take two to three years at least to bring the plant into economic production. Although the project should ultimately prove profitable, capital invested during the construction period will earn no return and it may, therefore, be difficult for your Company to maintain the higher rate of dividend declared on the Ordinary Shares this year.

The Directors retiring by rotation are Mr. B. R. Goodfellow, Mr. K. W. Young and Dr. E. C. Fairhead and my colleagues and I have pleasure in recommending their re-election.

The Auditors, Messrs. Lovelock and Lewes, also retire and you are requested to re-appoint them for the current year. They have, however, asked for an increased fee of Rs. 7,500 as against Rs. 6,000 sanctioned for the previous year. As you are aware the new Companies Act, which will come into force on the 1st April this year, imposes certain additional duties on Auditors for which we must necessarily pay. In my opinion the increased fee is justified and I recommend its acceptance.

Company Meeting

THE KOHINOOR MILLS COMPANY, LIMITED

Speech of the Chairman, Mr. E. D. Sheppard

Gentlemen,

I am happy to address you again at the close of another year of your Company's working. The year has been an eventful one and I would like to mention to you some of the more important events.

First of all, it is gratifying that there have been no major flare-ups in international affairs. Peace has been maintained throughout the year with the exception of an occasional foray in China, and periodic skirmishes on the Israel-Arab State borders. As far as the latter is concerned, although the fighting has been confined, the atmosphere in the Middle East has in recent months become explosive and might, if it is not brought under control, lead at some future date to a conflagration which might engulf the whole world. The United Nations are sparing no effort to bring about a peaceful solution of the problems that confront the differing parties. India, as usual, is in the forefront.

One feature which is most encouraging is the increasing number of visits that are being paid by the Heads of all countries to others. Here in India, during the course of the year, we had visits from Marshal Tito of Yugoslavia, the Egyptian Prime Minister, the Head of the People's Government of China, Marshal Bulganin and Mr. Khrushchev from Russia, H. M. King Saud of Saudi Arabia, and since the beginning of the year, Their Majesties the Shah and Queen of Iran. Before long we hope we may have with us the President of the United States. Our Prime Minister has himself paid visits to China, Egypt, Russia, Poland, Great Britain and Yugoslavia, and has been invited to go to the United States as the guest of President Eisenhower. In my opinion there is nothing which can be more conducive to bringing about peace and harmony in the world than such visits of leaders of nations to each other, during which they can see for themselves and understand the problems which confront each one of them and which, to some extent, govern the policy that they follow in international affairs. As in the affairs of individuals so with nations, a sympathetic understanding is an essential for the fulfilment of our aspirations for world peace and the advancement of humanity.

Very serious efforts are also being made by all the major powers to bring about the limitation of armaments and the complete banning of atomic and other weapons which, if ever utilized again, can only mean the complete destruction of man.

It is most unfortunate that it has not yet been possible for us to arrive at an understanding on outstanding differences with our closest neighbour—Pakistan. Let us hope that this will be brought about in the near future.

The power position, so far as we are concerned, continued to be satisfactory during the year. Tata's thermal station should be in operation about the end of this year and then there should be no danger of a further shortage of power at any rate for two or three years, or even for considerably longer if the Koyna dam scheme is completed according to schedule. The second Five-Year Plan has now been formulated and, although very much larger than the first in its scope, it is to be hoped that it will be as successful as its predecessor. It is unfortunate that the sponsors of the Plan have 'frozen' the mill industry at its present capacity and have decided to rely on the cottage and handloom industries to produce the

additional cloth which the country will require. I feel that they could, without in any way prejudicing the position of the latter, have permitted reasonable expansion in your industry to enable it to supply the potential demand for mill-made textiles in India and, at the same time, retain its markets overseas.

The Mill industry has had a reasonably good year. The demand for cloth has been steady throughout the year. Earlier in the year prices of cloth, though steady, were not quite at the levels they should have reached to permit of a reasonable profit, but as the year progressed they improved somewhat. Yarn prices I am sorry to say remained very low throughout the year making this part of your Mills' business much less remunerative. This is the reason why your Mills have not shown the improvement in the profits one would have expected because of the good offtake and higher prices of cloth. It must be borne in mind always that, although your Mill has 1,20,000 spindles, half this number is working continuously on the making of yarns and sewing threads for which a special plant has been installed. In view of this 'dual personality' of your Mill, there may be times when as compared to balanced spinning and weaving mills the profits may not seem very large, but there have been times in the past and they will surely come again in the future when with a rise in the prices of yarn and sewing thread your Mill will be in a position to show better progress than others.

The Budget proposals as announced on the 29th of last month provide for the enhancement of the Excise Duty by 6 pies per square yard on all categories of cloth. This will mean that your Company will have to pay Rs. 9 lakhs more to Government under this head. It remains to be seen how much of this it will be possible to pass on to the consumer. The proposed penal tax on Dividends declared at a rate of more than 6 per cent on the paid-up capital will cost your Company Rs. 2 lakhs per annum if it reaches the Statute Book in its present form—assuming that the present rate of Dividend distribution remains unaltered. This proposed tax operates most unfairly against companies such as yours which have prudently accumulated substantial reserves from the taxed profits of past years. Just as disturbing, to my mind, as the actual tax itself is the manifestation of the fact that the "6 per cent mentality" persists in New Delhi. In conditions as they exist today—for example, the Bank Rate in the U.K. is now 5½ per cent—it does not seem reasonable that Risk Capital should only be allowed a return of 6 per cent without a heavy penal tax, and particularly at a time when it is hoped to attract such capital to enter this country.

As regards the Government's policy on personal taxation, I gave you my views on this last year and also reviewed the matter at some length in my address to the shareholders of your Agency Company. I do not propose to indulge in repetition and would only say that my views are unchanged. There is a saying in England that "all work and no play makes Jack a dull boy." It remains to be seen what effect the Government's present policy of "all work and no pay" will have in this country.

Trading in Indian cotton remained free of all restrictions during the whole year as, on account of ample availability, there was no reason for Government to reimpose the quota system. Prices of cotton remained

steady throughout the year but weakened with the approach of the new season because of reports that the crop would be 55 lakhs of bales. This position was, however, short-lived as unseasonal rains caused damage to several of the growths and prices started to rise. Towards the close of the year there has been a very large appreciation and the forward market which had been moving around the 600 mark went up to 740. At this point Government decided to step in and take a hand. The contract was frozen at 700 and futures trading came to a stop. However, in the spot market prices continued to rise and some of the growths very nearly reached the ceilings fixed by Government. The position remains the same to the present time and it would seem that because of the statistical position there is little chance of any appreciable recession.

Foreign cotton prices remained reasonably steady for most of the year but during the last quarter there was a definite upward tendency. Alexandria particularly recorded a steep rise. African and American growths remained fairly steady, but because of a recent announcement by America of the impending release of further large quantities of loan cotton at competitive prices, these have tended to weaken.

I will now turn to the report and accounts. The amount of Rs. 8.50 lakhs provided for taxation is made up of Rs. 5.01 lakhs for Corporation tax and Rs. 0.52 lakhs extra for contingencies.

To meet the statutory depreciation of Rs. 17,62,477 and to set off the initial depreciation of Rs. 3,70,175 allowed in previous years, your Directors have set aside a sum of Rs. 6.33 lakhs from the profits of the year and have appropriated a sum of Rs. 15 lakhs from the Machinery Reserve Account. A sum of Rs. 3 lakhs has been appropriated from the profits of the year to the Development Rebate. A sum of Rs. 1.50 lakhs has been put to the Employees' Pension & Gratuity Fund bringing this to Rs. 12.50 lakhs which represents a full provision for present liabilities under this head.

In view of the Millowners' Association's Bonus Pact with the Rashtriya Mill Mazdoor Sangh on the lines of the Ahmedabad Millowners' Association's agreement, it is calculated that your Company will be required to pay 3 months' basic pay as bonus for all the three years 1953, 1954 and 1955. It became, therefore, necessary to provide in the accounts of the year 1955, Rs. 4.43 lakhs in respect of 1954 in addition to Rs. 16.57 lakhs for the current year.

The insurance value of your Mills' property and stocks on the basis of their reinstatement value now stands at Rs. 10.51 crores which is higher by Rs. 36 lakhs. This is due to an increase in machinery valuation by about Rs. 25 lakhs and to higher stocks of cotton.

The Balance Sheet figures show that your Company continues to be in a strong position as the current assets at Rs. 2.88 crores exceed the current liabilities and provisions by Rs. 1.45 crores. Secured loan of Rs. 38.84 lakhs is lower by Rs. 2.52 lakhs. The liability for expenses is down by Rs. 6.63 lakhs as no provision for arrears of D.A. was necessary this year. The liability for Other Finance is up by Rs. 11.27 lakhs due to the carry-over to the current year of the bonus unpaid for the previous year.

On the assets side of the Balance Sheet the value of stocks of cotton and staple fibre is higher by Rs. 15.66 lakhs mainly due to the increase in the stock of cotton. Art silk and other yarns are up by Rs. 2.40 lakhs due to increase in the stock of art silk yarn. The stock of cloth, yarn and waste, is lower by Rs. 3.66 lakhs due to good deliveries during the concluding period of the year. The stocks of stores, fuel and grain are lower by Rs. 2.36 lakhs. Book debts at Rs. 3.88 lakhs are up by Rs. 2.46 lakhs due to bills for cloth, yarn and cotton being outstanding at the close of the year. Advances at Rs. 10.27 lakhs are lower by Rs. 10.66 lakhs mainly

due to cotton advances being down. Taxation under Advances is down by Rs. 1.39 lakhs due to adjustments in the advance tax payments.

Now I will give you some salient features of the Profit and Loss Account.

Cotton and fibre consumption is down by Rs. 13.37 lakhs due to the consumption of a larger proportion of cheaper cotton. Muccadumage is up by Rs. 0.80 lakhs due to the increase in the muccadumage rate and also in the quantity of cotton received. Yarn and cloth commissions are slightly down due to the lower yarn and cloth values. The stores consumption, etc. is practically the same. Electric power is higher by Rs. 0.32 lakhs due to increased consumption of energy. Salaries and wages are up by Rs. 9.99 lakhs due to the adjustment in the quantum of bonus as already explained. Dearness allowance is down by Rs. 11.89 lakhs compared to the previous year when Rs. 13.98 lakhs including arrears were paid according to a Court Award. Rents and taxes are up by Rs. 0.47 lakhs due to the increase in water rate by 2 annas per 1000 gallons. Although stocks were higher, insurance is down on balance by Rs. 1.18 lakhs as the Company's contribution to the Employees' State Insurance amounting to Rs. 1.89 lakhs has been debited to Salaries and Wages being the compulsory contribution to the Government Fund. Interest is higher by Rs. 0.68 lakhs due to larger purchases of cotton. General charges are up by Rs. 0.58 lakhs on account of the Indian Industries Fair, Delhi, where your Company's products were exhibited. Trade subscriptions are down by Rs. 1.98 lakhs, as a sum of Rs. 2 lakhs was paid as the Company's contribution to the Bombay Textile Research Association Fund in the previous year. Donations are up by Rs. 0.15 lakhs due to a contribution to the Prime Minister's Relief Fund for flood-stricken areas in Bihar, Orissa and the Punjab.

On the credit side of the Profit and Loss Account, the sales of cloth, yarn and waste show a decrease of Rs. 9.89 lakhs mainly due to the production of a large proportion of the cheaper qualities. Yarn and cloth expenses are lower by Rs. 0.39 lakhs in consequence. Miscellaneous receipts are up by Rs. 0.22 lakhs due to a refund of excise duty.

You will have seen from the notice that we have for confirmation by you at this meeting the renewal of the agreements of both our cloth and yarn selling agents. Messrs. V. S. Apte & Son, and Messrs. Nahalchand Laloochand Ltd., have been your selling agents for 44 and 29 years respectively, and I can say without any hesitation that they have served your Company exceedingly well throughout this period. In keeping with the times they will both be receiving about 25 per cent less than hitherto. Our association with them has always been a very pleasant one, and I am confident that it will continue for many years to come.

You will expect me to say something about the future. As far as your Company is concerned, it has practically completed a comprehensive programme of expansion and rehabilitation in the last ten years and a pause must now be made to consolidate the position it has attained. The outlook for cloth continues to be good and the yarn market is showing signs of improvement. We are now up-to-date with our bonus provision and the current year's accounts will not have to bear any additional burden in this regard as was the case in 1954 and 1955. Further your selling agents have agreed to a substantial reduction in their commissions. Against this, the year has got off to a bad start due to the disturbances in the city in the latter part of January, when several working days were lost and the Bombay Cost of Living Index figure has not come down as much as was hoped. I must leave you to draw your own conclusions.

Ask for Jute Goods:-

HUKUMCHAND JUTE MILLS.
LIMITED.
Estd:-1919

Mills at HAZINAGAR 24-Parganas.
Rly. Stn.-NAIHATI (Eastern Rly.) West Bengal.

Manufacturers of

**HIGH CLASS HESSIAN,
SACKING, CANVAS,
TWINE, ETC., ETC.**

My Agents;

RAMDUTT RAMKISSENDASS

9, BRABOURNE ROAD, CALCUTTA-1

**TELEPHONE Nos
22-3195 (3 Lines)**

**TELEGRAM
"JUTIFICIO" Cal.**

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

		Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
		Food Articles	Indus. Raw Mats.	Semi-ma- nufactured Articles	Manufac- tured Articles	Miscel- laneous	General Index	Govt. and Semi- Govt.	Deben- tures	Prefer- ence	V. D. I.
1947-48	..	306.1	377.5	281.6	286.4	456.2	308.2	..	..	..	..
1948-49	..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50	..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51	..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52	..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53	..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54	..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.4
1954-55	..	339.8	436.2	350.3	377.3	612.4	377.4	90.5	100.7	88.4	113.0
May 1955	..	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9
June	..	281.8*	390.4	329.7*	370.0	567.4*	342.5*	90.8	100.6	87.5	113.2
July	..	309.7*	408.1*	329.6	370.9*	562.6*	355.6*	90.9	100.7	87.8	117.9
August	..	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.8	122.8
September	..	313.0	396.1	324.8*	368.8	556.3	353.2	90.9	100.7	87.2	122.8
October	..	315.7	403.7*	329.8	371.2	559.3	357.2*	91.0	100.7	87.2	124.5
November	..	326.5	418.9*	338.1	373.3	543.3*	365.6*	91.0	101.0	87.7	129.9
December	..	323.7*	438.3	346.6	373.0	544.2	368.4	91.0	101.0	87.7	130.6
January 1956	..	333.4*	454.2*	353.5*	375.2	540.0*	376.0*	91.0	101.0	87.3	125.7
February	..	335.3	464.0	355.8	375.4	529.1	378.3	91.3	101.1	86.7	121.0
Week Ending	..										
4-2 1956	..	331.1	468.4	349.3	375.4	531.5	376.3	91.2	101.1	87.0	121.9
11-2-1956	..	328.8	464.9	355.7	375.6	528.8	376.1	91.3	101.1	87.0	121.4
18-2-1956	..	338.3	460.2	355.5	375.5	528.5	378.7	91.3	101.2	86.8	120.5
25-2-1956	..	343.0	462.4	357.2	375.3	527.4	380.9	91.3	101.0	85.9	120.1
3-3-1956	..	343.3	462.6	361.3	375.4	527.7	381.9	..	..	..	..

* Average of weeks.

* Revised

† Economic Adviser's Series.

†† Reserve Bank Series.

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS (August 1939=100)

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100	Ahmeda- bad July 1927 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936 = 100	Ludhiana†	Jamshed pur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	134
1948	288	303	243	132	339	471	372	146	309	168	136	138
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	144
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	318	363	275	140	349	453	387	151	351	147	156	145
1954	342	350	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	..	..	..	..	321	..	..	..
1955 May	320	336	204	122	315	335	351	128	307	131	129	127
June	317	333	211	123	317	347	359	131	311	131	129	130
July	324	340	224	129	325	371	364	136	316	134	134	132
August	325	341	229	134	329	375	367	137	318	136	138	134
September	317	333	224	133	327	373	367	133	322	138	137	132
October	315	331	225	134	334	385	366	—	323	—	—	134
November	314	330	229	130	339	392	369	—	327	—	—	135
December	312	332	230	140	329	393	375	—	334	—	—	—
1956 January	—	—	—	139	—	404	—	—	334	—	—	—
February	—	—	—	137	—	—	—	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	18-3-1956			9-3-1956			3-3-1956			25-2-1956		
	High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age
Gold (per fine tola) ..	105- 4	101- 5	103- 6	101-14	98-11	100- 4	102- 7	99- 8	101- 0	100- 0	99- 0	99- 9
Silver (per 100 fine tolas)	179- 0	175-11	177-12	178- 8	173-12	174-11	176-15	172- 2	175- 3	175- 8	174- 7	174-13

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1938-39*	182,36	28,28	210,64	44,42	66,95	111,37	52.91	67,11	32,16	210,64
1947-48*	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49*	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62*	1,253,86
	(5,58)	(—)	(5,58)					(90)		(5,58)
1949-50*	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51*	1,163,21	17,19	1,180,40	40,02	624,70	664,72	56.31	57,21	458,47	1,180,40
1951-52*	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53*	1,114,84	27,87	1,142,72	40,02	584,40	624,42	54.60	80,22	458,08	1,142,72
1953-54*	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55*	1,197,05	22,98	1,219,17	40,02	648,90	688,92	56.47	102,25	428,61	1,219,17
Average of Fridays	1,324,56	17,97	1,340,03	40,02	652,04	692,06	51.65	104,33	543,65	1,340,03
June ..	1,306,93	29,34	1,336,28	40,02	648,04	688,06	51.34	105,87	543,65	1,336,28
July ..	1,299,00	26,50	1,325,50	40,02	633,29	673,29	50.79	108,24	543,69	1,325,50
August ..	1,290,78	23,49	1,314,27	40,02	668,82	708,04	53.93	110,51	494,93	1,314,27
September ..	1,303,25	10,97	1,315,30	40,02	632,07	672,08	51.09	110,95	531,18	1,315,30
October ..	1,327,06	14,27	1,341,33	40,02	642,08	682,09	50.85	109,38	549,81	1,341,33
November ..	1,350,04	10,13	1,360,17	40,02	662,98	703,00	50.95	108,56	548,61	1,360,17
December ..	1,384,06	16,67	1,400,73	40,02	679,49	719,52	51.37	106,52	574,69	1,400,73
January 1956	1,379,07	22,99	1,402,04	40,02	667,07	707,09	50.43	106,60	588,36	1,402,04
Week Ending										
27-1-1956 ..	1,392,37	8,46	1,400,82	40,02	652,14	692,16	49.41	105,38	603,27	1,400,82
3-2-1956 ..	1,407,65	7,31	1,414,96	40,02	667,16	707,18	49.98	104,62	603,23	1,414,96
10-2-1956 ..	1,406,83	8,20	1,415,02	40,02	667,16	707,18	49.98	104,62	603,23	1,415,02
17-2-1956 ..	1,402,85	12,59	1,415,45	40,02	667,16	707,18	49.98	105,04	603,23	1,415,45
24-2-1956 ..										

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS*	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14,90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	90
1947-48*	366,79	16,93	102,47	34,21	520,40	14,55	544,96	47,24	2,02	406,85	1,57	21	81,53	4,85
1948-49*	222,17	6,62	80,53	56,52	393,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
	(14,33)	(3,04)									(1)			
1949-50*	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	980,64	4,34
1950-51*	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2,37	6,77	76,72	5,06
1951-52*	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53*	130,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54*	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19,84	81,58	7,51
1954-55*	89,13	20,66	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	26,55	80,52	9,82
Average of Fridays														
March	58,81	37,71	47,51	21,84	165,87	29,58	205,45	12,54	8,59	70,73	95	42,26	51,67	21,03
April	56,47	36,38	47,74	22,05	162,65	32,79	205,34	18,59	11,96	69,30	51	36,73	45,26	22,99
May	52,9	17,90	48,89	22,08	141,84	38,25	180,08	15,28	11,46	51,97	80	40,22	41,51	28,76
June	55,04	12,33	50,02	21,89	139,88	43,80	194,44	18,10	12,78	63,67	100	28,61	39,55	29,08
July	76,93	17,83	50,62	19,03	164,40	32,13	206,52	29,47	9,53	69,84	88	32,44	58,34	6,02
August	87,33	20,66	51,35	20,28	179,12	30,62	219,74	26,64	9,90	86,25	1,92	25,04	62,18	7,74
September	60,36	18,28	55,51	16,91	151,06	21,26	182,32	23,63	13,08	51,57	1,02	28,69	52,13	11,65
October	50,15	23,59	61,12	15,97	150,84	25,92	186,76	11,10	9,30	72,93	76	20,52	50,24	12,17
November	54,93	14,81	58,52	15,46	143,57	29,71	183,43	14,40	7,37	80,45	2,22	24,17	50,09	12,24
December	54,13	8,44	57,88	15,97	136,01	34,76	181,17	10,25	8,11	63,93	3,97	31,67	50,49	12,76
January 1956	53,56	12,51	59,90	17,49	142,53	48,77	193,81	16,82	9,33	56,74	2,82	43,77	51,13	13,21
Week Ending														
27-1-1956	54,02	18,47	65,24	17,10	154,83	50,82	205,65	23,12	4,92	67,05	1,79	44,33	51,17	13,27
3-2-1956	52,88	14,40	63,23	15,80	146,31	62,28	208,59	8,56	2,57	81,41	2,52	49,62	50,38	13,54
10-2-1956	60,55	11,00	53,61	15,93	140,49	63,36	203,86	7,44	3,98	71,06	3,69	54,36	49,76	13,56
17-2-1956	61,55	13,06	54,12	15,70	147,43	57,56	204,99	8,33	3,84	71,12	3,84	53,51	49,39	15,24
24-2-1956	66,51	16,12	55,16	15,98	153,77	55,16	208,93	12,74	3,60	67,66	3,60	56,15	49,29	15,26

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Fund. *Average of Fridays.
†Includes cash and short term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39*	123,81	103,30	227,11	6,38	15,88	9.80	111,34	460	51.05	..
1947-48*	706,65	343,89	1,050,54	39,92	100,81	13.40	427,54	16,82	42.30	..
1948-49*	674,56	303,88	978,44	37,51	76,63	11.67	424,85	16,44	45.10	..
1949-50*	597,79	272,59	870,38	34,47	65,85	11.53	426,74	15,35	50.79	..
1950-51*	589,13	278,45	867,59	34,68	60,78	10.88	447,03	11,87	52.29	..
1951-52*	593,73	290,82	884,55	37,33	57,29	10.70	523,59	22,81	63.06	303,45
1952-53*	546,23	309,26	855,49	33,33	61,82	9.95	461,64	38,47	60.48	306,34
1953-54*	520,75	328,26	849,01	31,97	44,48	8.98	442,79	51,40	59.56	321,29
1954-55*	559,62	351,86	911,48	32,66	53,91	9.50	468,39	84,66	62.08	339,74
Average of Fridays	600,22	403,14	1,003,36	33,80	49,01	8.30	499,64	110,56†	62.73	362,67
July 1955 ..	605,00	409,09	1,014,08	34,15	49,19	8.22	495,96	110,80†	61.76	373,92
August ..	604,02	413,69	1,017,87	33,22	54,14	8.58	498,19	106,18†	61.15	381,86
September ..	612,82	422,95	1,035,77	33,98	59,64	9.94	484,87	103,51†	59.24	390,42
October ..	612,61	423,85	1,036,46	35,22	57,05	8.90	491,93	105,00†	59.79	393,43
November ..	613,68	422,24	1,035,92	38,93	58,38	9.39	503,02	107,60†	61.04	390,56
December ..	638,02	411,70	1,049,72	36,96	56,92	8.94	533,75	130,85†	64.21	382,55
January 1956 ..	635,76	412,30	1,048,06	34,66	63,22	9.34	546,06	136,98†	66.02	380,45
Week Ending	628,08	413,50	1,041,57	34,93	52,30	8.38	549,73	136,25†	66.58	378,99
3-2-1956 ..	630,11	416,89	1,047,01	36,31	49,90	8.23	553,56	137,49†	66.68	377,44
10-2-1956 ..	631,06	418,08	1,049,14	34,82	53,26	8.40	555,13	141,88†	66.96	375,26
17-2-1956 ..										
24-2-1956 ..										

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY IN INDIA

(Lakhs of rupees.)

Last Friday		Money supply	Total currency with the public	Deposit money with the public			Total variations in money supply
				Total	Demand liabilities of banks	Total deposits with Reserve Bank (excluding those of central Govt. & Banks)	
(1)		(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1952-53	..	1,784,55	1,199,25	585,30	548,95	36,35	-44,30
1953-54	..	1,856,57	1,229,43	627,14	549,83	77,30	+72,02
1954-55	..	1,980,90	1,311,77	669,13	599,18	69,97	+124,33
December	1954 ..	1,848,89	1,224,61	624,28	597,20	27,08	+41,03
January	1955 ..	1,877,73	1,245,91	631,82	601,04	30,78	+28,84
February	.. ..	1,915,34	1,272,35	643,00	610,04	32,96	+37,61
March	.. ..	1,980,90	1,311,77	669,13	599,16	69,97	+65,66
April	.. ..	2,003,14	1,342,90	660,23	614,26	45,98	+22,24
May	.. ..	1,989,60	1,348,41	641,09	616,96	24,12	-13,64
June	.. ..	1,988,42	1,343,74	644,67	623,43	21,24	-108
July	.. ..	1,974,91	1,324,80	660,11	619,53	30,58	-13,51
August	.. ..	1,995,61	1,314,74	660,88	632,86	48,02	+20,70
September	.. ..	1,965,49	1,309,69	654,71	632,36	23,35	-25,17
October	.. ..	2,008,47	1,331,40	677,08	635,72	41,35	+21,37
November	.. ..	2,014,76*	1,351,81*	682,95*	639,71*	23,24	-14,13*
December	.. ..	2,058,66*	1,387,80*	670,86*	649,10*	21,77	+7,91*
January	1956 ..	2,115,91*	1,408,59*	707,31*	676,41*	30,90	+36,45*

INDIA'S TRADE WITH THE U. K.

I. PRINCIPAL EXPORTS

(Thousand £)

	Year 1953	January 1955	January 1956	12 Months Jan.-Dec. 1954	12 Months Jan.-Dec. 1955
Total All Exports	113,443	17,937	13,215	118,381	158,949
Of which :-					
Tea	51,928	11,575	6,904	76,898	75,420
Leather, leather manufactures & dressed furs	14,009	1,116	1,576	13,260	12,625
Tobacco & tobacco manufactures	5,790	168	202	6,908	7,177
Hides, skins & fur skins, undressed	958	655	510	973	808
Wool & other animal hair and tops	4,008	173	379	5,551	4,911
Cotton	2,993	210	216	2,579	4,535
Miscellaneous textile fibres & waste	629	58	43	1,069	1,392
Metalliferous ores & metal scrap	4,388	230	131	3,068	2,431
Miscellaneous animal & vegetable crude materials	3,258	476	377	4,523	4,949
Animal & vegetable oils, fats, greases & derivatives	2,442	143	689	1,865	8,497
Cotton yarns & woven fabrics	..	764	406	6,849	7,041
Miscellaneous textile manufactures	12,736	1,500	1,166	16,363	14,400

II. PRINCIPAL IMPORTS

(Thousand £)

	Year 1953	January 1955	January 1956	12 Months Jan.-Dec. 1954	12 Months Jan.-Dec. 1955
Total All Imports	114,491	9,248	13,708	114,808	129,793
Of which :-					
Machinery other than electric	27,791	2,631	3,582	28,142	32,344
Electric machinery, apparatus & appliances	17,944	1,284	2,018	14,809	16,246
Wool & other animal hair and tops	4,828	433	327	4,930	4,818
Petroleum & petroleum products	3,953	184	125	4,608	1,737
Chemicals	13,058	1,088	1,416	15,140	16,159
Paper, paperboard & manufactures thereof	1,229	121	185	1,330	1,717
Iron and steel	4,689	638	1,312	5,883	8,825
Non-ferrous base metals	2,137	92	177	1,648	2,248
Manufactures of metals	7,309	371	831	5,072	6,984
Railway vehicles	3,758	306	817	3,050	3,365
Road vehicles & aircraft	8,758	753	1,088	9,357	10,038
Scientific instruments; photographic & optical goods; watches & clocks	2,206	233	227	2,237	2,975

III. INDIA'S IMPORTS OF MACHINERY FROM THE U. K.

(Thousand £)

	Year 1953	January 1955	January 1956	12 Months Jan.-Dec. 1954	12 Months Jan.-Dec. 1955
Total Machinery	45,735	3,915	5,600	42,951	48,590
Of which :-					
Boiler & boiler-house plant	1,653	121	275	1,471	1,782
Internal combustion engines	1,356	123	220	1,852	1,787
Agricultural machinery	151	14	11	197	187
Agricultural & track-laying tractors	..	76	27	745	908
Machine tools (excluding portable power tools)	1,934	216	296	1,997	2,408
Pumps	856	54	91	744	837
Industrial & works trucks & tractors & mechanical handling equipment	1,471	163	143	1,617	1,504
Excavating & earth-moving machinery & road rollers	528	114	76	653	1,395
Mining & well drilling machinery	519	21	27	474	414
Printing & bookbinding machinery & printing type	791	61	58	573	700
Textile machinery	6,990	757	816	6,863	7,296
Air-conditioning & refrigerating machinery	290	24	43	251	296
Generating sets, generators & motors	2,689	298	514	2,240	2,224
Converting machinery, transformers, switch gear & switchboards	4,606	380	403	4,010	3,954
Electronic valves, & radio, television, radar & sound reproducing apparatus	1,485	111	178	1,544	1,979
Telegraph & telephone equipment & line apparatus	..	24	42	1,420	645
Electric cables, wires, strips & strands, insulated	5,034	194	497	2,705	3,927

Source :—Trade and Navigation Accounts of the U.K. (H.M.S.O.) () figures not available.

SEA AND AIR-BORNE TRADE OF INDIA

Composition of Trade

(In thousand rupees)

	Imports		Exports (Including re-exports)	
	April-December 1954	1955	April-December 1954	1955
Food, Drink & Tobacco:—				
Fish (excluding canned fish)	8,69	10,48	3,16,72	2,11,35
Fruits and Vegetables	6,00,43	5,85,00	10,66,19	11,77,07
Grain, Pulse and Flour	47,55,38	14,45,47	67,60	7,32,73
Liquors	1,15,55	1,06,50	7,43	5,99
Provisions and Oilman's Stores	6,58,20	8,74,00	1,78,13	6,61,88
Spices	3,42,66	4,76,43	8,25,47	7,12,88
Sugar	29,26,35	2,81,61	4,54	65,82
Tea	34	17,94	1,08,98,79	74,21,91
Other Food and Drink	1,01	57	6,64,28	1,43,41
Tobacco	76,98	1,24,94	9,94,89	10,32,09
TOTAL CLASS I	94,85,59	39,22,94	1,50,24,04	1,17,25,15
Raw Materials and Un-manufactured Articles:—				
Coal and Coke	..	3	3,03,18	1,60,26
Other Non-Metallic Mining Products	4,75,39	3,79,03	6,27,02	7,66,75
Fodder, Bran and Pollards	2,92	42	39,95	1,55,81
Gums, Resins and Lac	1,15,93	1,43,90	8,08,44	10,42,18
Hides and Skins, raw	31,44	55,33	5,15,01	4,67,79
Metallic Ores and Scrap Iron	26,81	27,27	15,84,00	15,54,63
Oils of all kinds	70,65,77	43,97,56	10,14,77	29,74,93
Oil Cakes of all kinds	..	..	57,41	4,78,35
Paper-making materials	1,30,88	1,60,29	27,26	92,98
Rubber, raw or crude	92,73	1,50,10	37	..
Seeds (including nuts for oils)	6,39,78	6,37,48	1,00,06	2,67,55
Tallow, Stearine and Wax	87,47	41,57	4,59	8,28
Cotton, raw and waste	43,93,65	38,99,22	12,87,22	27,31,74
Jute, raw	3,00	1,51	..	..
Silk, raw and cocoons	66,64	52,30	4,06	20,08
Wool, raw and tops	6,08,09	6,81,20	7,63,18	7,02,23
Other Textile Materials	4,00,31	1,31,94	1,13,71	1,08,99
Wood and Timber	1,52,60	2,22,34	73,88	1,06,85
Miscellaneous	2,09,06	3,29,82	6,29,02	6,30,45
TOTAL CLASS II	145,02,51	115,11,32	80,01,21	122,69,77
Articles wholly or mainly manufactured:—				
Apparel	28,75	42,35	1,37,72	1,91,46
Arms, Ammunition & Military Stores	1,74,74	1,34,86	1,36	2
Chemicals, Drugs and Medicines	24,23,96	26,58,38	4,00,42	2,93,43
Cutlery, Hardware, etc.	12,37,56	17,49,45	1,99,14	2,58,45
Dyes and Colours	14,72,17	13,24,75	49,64	50,67
Electrical goods and apparatus other than Machinery	8,04,78	10,68,00	29,74	39,21
Furniture, Cabinetware, etc.	27,46	21,70	29,82	24,02
Glassware and Earthenware	1,32,78	1,54,64	17,82	15,23
Hides and Skins, tanned or dressed and Leather	26,16	16,03	14,79,27	16,42,66
Machinery of all kinds	62,86,20	85,47,91	1,10,81	76,56
Metals-Iron and Steel and manufactures	21,15,09	41,31,86	49,27	73,05
Metals, other than Iron and Steel and manufactures thereof	19,72,74	18,42,74	87,48	1,19,43
Paper, pasteboard and stationery	10,27,04	11,81,49	72,58	67,43
Rubber manufactures	40,85	43,06	93,46	59,05
Vehicles excluding locomotives	25,34,66	40,92,06	1,11,21	2,05,95
Cotton yarns and manufactures	1,63,79	2,84,26	50,72,57	47,43,97
Jute yarns and manufactures	47	32	94,36,85	98,42,42
Silk yarns and manufactures	10,04	4,22	13,24	25,75
Woolen yarns and manufactures	2,44,60	2,49,46	3,26,25	3,18,96
Other yarns and textiles fabrics	11,58,74	13,65,81	2,38,20	2,93,87
Miscellaneous	8,37,00	10,98,32	12,49,51	13,51,90
TOTAL CLASS III	227,28,59	300,61,67	192,64,47	194,44,45
Living Animals	6,59	8,12	37,63	44,54
Postal Articles and Baggage not Specified	2,24,90	2,23,76	3,33,19	2,76,36
GRAND TOTAL	469,48,19	457,27,80	426,74,53	437,69,85

Printed and Published by Devi Prasad Sharma at the Hindustan Times Press,
"The Eastern Economist" Ltd., 52, Queensway, New Delhi. Editor—E. P. W. da Costa, M.A. (Oxon.)

ATUL

DYES CHEMICALS PHARMACEUTICALS



ATUL CHEMICALS LIMITED

With a Supplement on
OVERSEAS SHIPPING AND
INLAND WATER TRANSPORT

The Eastern Economist

VOL. XXVI. NO. 13.

NEW DELHI: MARCH 30, 1956.

PRICE RS. 1/8

CONTENTS

	Page		Page
Leading Articles:		The Business World:	
MR. MIKOYAN IN DELHI AND KARACHI	513	Non-Ferrous Sheet Rolling Industry	529
THE SUGAR TARGET	515	Sugar Industry in the Deccan	529
TAXATION OF REGISTERED PARTNERSHIPS	516	BUSINESS NOTES	535
THE WEEK'S NOTES	519	Private Sector—An Objective Attitude;	
The 'Ambar' Chakha; Second Thoughts on Merger; Exodus from East Bengal Prospects of Disarmament; The Janus Face of France; New Ministry for Indonesia.		The Bank Rate; Forward Trading in Pepper; The Central Bank of India; Freezing of Mill Cloth Production; Polychem Limited.	
WINDOW ON THE WORLD:		COMMODITY NEWS AND NOTES	550
Odysseus on "The Approaching World Crisis"	521	COMPANY AFFAIRS	551
ECONOMIC REPORT FROM THE U.S.:		CURRENT STATISTICS	552
U.S. Economic Scene	524		
WORLDGRAM AND NEWS IN BRIEF	525		

Mr. Mikoyan in Delhi and Karachi

MR. MIKOYAN has come and gone. Wide significance has been attached both in Karachi and Delhi to this first visit of the Vice-airman of the Council of Ministers of the U.S.S.R. As far as can be determined, it was as successful in Karachi as it was in Delhi. In Karachi one might, perhaps, have compared Mr. Mikoyan's position with that of Mr. Dulles in Delhi earlier this month. Both were out in slightly unfriendly territory, trying to reduce the hostility which their policies had aroused. The fact that Mr. Mikoyan was successful while Mr. Dulles ordered relatively little on official circles in Delhi is not without its own significance. That significance reflects not their talents but the difference in their assignments. The main ingredient of difference arises from the fact that Pakistan's key in the international arena is less stable than it looks at first sight. It does not exclude a sudden demarche embarrassing to her Free World friends. So far as India is concerned, possibly because of her more stable international position, which is itself the reflection of the Prime Minister's resolute mind in these matters, it is more difficult to obtain a policy shift. Mr. Mikoyan

could thus set up a new wave motion; Mr. Dulles was not operating in so adaptable a medium.

This, and not the economic story which has been highlighted in the newspapers, is the most interesting result of Mr. Mikoyan's visit following so soon on that of Mr. Dulles. It has underlined not so much the more flexible methods of the Soviet Union as against the United States as the backgrounds against which the two countries operate in India and Pakistan. It is true that there was also a personal equation; Mr. Mikoyan was rather more resilient in Karachi than Mr. Dulles in Delhi. For example, whereas Mr. Dulles adhered firmly to his previous position on Kashmir and Goa while he was in Delhi, Mr. Mikoyan had different policy statements on Kashmir for Delhi and for Karachi. At Karachi he could say that the statements of Messrs Bulganin and Khrushchev when they were in Kashmir had by no means prejudged the Kashmir issue in India's favour; the USSR still adhered to the view that it was for the people of Kashmir to decide their future. In Delhi, Mr. Mikoyan made it quite clear that he interpreted Mr. Khrushchev's statements as indicating that the USSR was not prepared to set up a new wave motion; Mr. Dulles was not operating in so adaptable a medium.

shchev's statement in Kashmir to the effect that the people of Kashmir had already decided in India's favour. The Free World does not seem to enjoy the advantage which Soviet diplomats have of trimming their sails so readily to the prevailing wind. In that sense, Mr. Mikoyan had one degree of freedom which Mr. Dulles has not. It would be a mistake, however, to see his current operation in terms only of this larger degree of verbal freedom. It is largely to be found in the area of opposition which the USSR has to meet in Pakistan against that which the Free World needs to overcome in India.

Quite simply it might be stated that the USSR enjoys a remarkable advantage in the fact that the situation in Pakistan will always remain more fluid than the situation in India. This is partly because there is no towering personality in Pakistan equal to that of the Indian Prime Minister, who is the sole architect of India's foreign policy. But it is mainly because Pakistan's foreign policy is based on expediency and not on conviction. Pakistan does not have a major interest in SEATO, the Baghdad Pact and other Free World alliances so passionate as to prevent a sudden switch in her policy to suit her short-period situation. The short-period situation admits of quite considerable wooing by the USSR. Mr. Mikoyan was a successful wooer because Pakistan was in a mood to be wooed; no one who knows the atmosphere in Delhi at the present time will deny that the task of a suitor is much more difficult in the Indian Union.

Mr. Mikoyan's visit has demonstrated, so far as the Indian sub-continent is concerned, that both sides are being wooed by both sides of the Cold War. This two-way wooing is new; but the difference is not in the wooers so much as in the partners wooed. Sooner or later, the Free World will need to recognise that the obstacles it will encounter in India on its present military policy are far greater than those which will face the USSR if it turns its abundant flexibility on to the Islamic Republic of Pakistan. There was enough evidence in Mr. Mikoyan's visit, both in Karachi and in Delhi, to show that the USSR is prepared to play an equally generous and captivating role as suitor, in both countries. In a sense India has lost her favoured position with the USSR since the same advances are now being made to Pakistan. But this may not be for Indian opinion the setback which rational opinion would deem it to be. Already a great deal of Indian opinion has reacted favourably to the USSR's approach to Pakistan. It is one more strand of evidence that, in dispensing its economic aid the USSR is prepared to open an account with no strings attached. The conclusion has been quickly drawn that the fact that since Pakistan has accepted this position so readily the Free World's convictions cannot be held with great depth in Pakistan. The tables are thus being turned on the Free World.

For the rest, once the unpleasant memory of the fact that the USSR's wooing Pakistan is enough for her not to be a passionate friend of India in Indo-Pakistan disputes has worn off, Mr. Mikoyan's visit to Delhi will be deemed nothing but successful. There is no doubt that much more precision has been given to the content of Indo-Soviet trade. Mr. Mikoyan has, it is known, agreed that the structure of that trade should be arranged to suit India's special needs, and that the USSR should adjust her imports of Indian products so as neither to dislodge trade with the other countries nor to hinder in any way the exe-

cution of the Plan. The fact that it has been agreed in principle that the steel and pig-iron that the USSR is supplying should be covered by Indian 'surplus' exports is a result so satisfactory from an economic point of view that few people have taken in the full turn in Soviet policy towards Pakistan.

One particular observation can be made now with some assurance; there is unquestionably a real difference between the approach of the USSR and that of the Free World to India's economic needs. It is by no means true that the volume of goodwill in the Free World is less than that in the USSR and satellite countries. It is, however, true that democratic methods work in the Indian scene with even greater hesitation than when they operate at home. Take the steel plants as a case in point. The prolonged negotiations with the British steel consortium ended in an agreement; but comparisons are constantly made in New Delhi between the period it took to reach this agreement as against the quickness of the Russian acceptance. Again, on the terms for deferred payment there is no doubt that the Russians are operating with a resilience which the Free World seems unable to match. To some extent this is understandable since the Russians do not have to deal with anything like the Congress of the United States and there are far fewer people to be consulted even in the Executive Government. But even when allowance is made for differences in procedure because of the need of Parliamentary sanction, one must recognise that dilatoriness is written into our negotiations with most Free World countries by reason of the fact that they try to mould Indian requirements into their surplus areas, while the Russians seem prepared to cut their own cloth in order to meet our needs. Partly because of this readiness to adapt their programmes to our needs, Russian negotiators have created a far more favourable impression in New Delhi than their Free World counterparts. The trouble here is not so much with getting legislative sanction as making executives in Free World countries make up their mind. Every important Russian visit has underlined the point that the Free World's methods of doing business in India have undergone a very large eclipse so far as promptitude of decision is concerned. An administrative overhaul of these methods should be in the Free World's interests as much as it is in our own.

In the result, one might say that while the economic situation has become clearer and Indo-Soviet economic ties have undoubtedly increased, the political situation has become a little more uncertain because of the turn in Soviet policy. There was no hint in Delhi given to Mr. Mikoyan that India was a little concerned about the hesitation with which he endorsed the Bulganin-Khrushchev statement on Kashmir and the obvious reluctance he showed to cramp his style on Pakistan. Indian opinion should take note of the fact that, if it considers that the USSR will back India in every dispute against Pakistan, Mr. Mikoyan's statements in Karachi or Delhi give no colour for that belief. On the other hand, the visit has been fruitful in the only field in which expectations were substantial. These expectations have been broadly fulfilled and one might, perhaps, be content with this achievement; sufficient for the day is the evil thereof. But do nations live in the short or long period? One cannot say of nations, as Keynes said cryptically of individuals, that in the long period they are all dead.

The Sugar Target

AMONG the more notable features of the Indian economy in the last two or three years has been the absence of crises in sugar, which at one time recurred almost every year. Even though production has remained below the higher levels of consumption attained in recent years, it has been possible to make up the gap by substantial import of six to seven lakh tons a year to prevent shortage. The latest position is still happier, because the production in the current year is expected to be about 17 lakh tons, which is still slightly below the demand. It is in the context of this increasing consumption on the one hand, and the infrequency of production rising equal to it that plans have been made for expansion of sugar units, to reach an installed capacity of 25 lakh tons by 1960-61. If the first Five-Year Plan period is any guide, the rise in consumption expected in the next five years, with a larger development outlay and deficit financing, cannot be regarded as unduly optimistic. The consumption propensities of the persons who receive new incomes as a result of development expenditure may be regarded as reasonably predictable, and sugar is one of the items for which this country has got both the natural facility as well as an established private sector to undertake expansion.

It is, therefore, somewhat puzzling that with an almost ready market and with promise of assistance for expansion, the industry should feel somewhat querulous about the rate of expansion proposed in the Plan. Both at the annual meeting of the Indian Sugar Mills' Association held last week, and in the proceedings of the Development Council for the Sugar Industry a fortnight ago, the possibility of over-production of sugar appears to have assumed undue importance. While the Development Council seems to have been only concerned with being prepared for exports in the event of the emergence of a surplus, the members of the Indian Sugar Mills' Association have seemed more apprehensive. The Association's resolution on the licensing of new units, while accepting the proposed increase in the installed capacity of 25 lakh tons, has suggested that "indiscriminate and unplanned" expansion should be avoided. The basis for the fears underlying the statement seems to be the feeling that not enough consideration has been given to the existing scope for stretching the capacity of the units already working. It was in essence, therefore, a plea for reassessment of the existing capacity in the matter of licensing.

There is some substance in this suggestion because the recent steps taken towards increasing the productivity of cane are proving satisfactory and according to Dr. Punjabrao Deshmukh, they hold out the promise of a substantial increase in cane productivity. It is well known that a major reason for the low production of sugar mills particularly in Northern India has been the non-availability of sugarcane in adequate quantities so that many mills have to work less than 100 days in a season. If productivity can increase in these areas by the new method of top-dressing of the soil with ammonium sulphate or mixed fertilizers, there are possibilities of increasing sugar yields and total production so as to reduce the uneconomic working of existing factories.

But this is not by any means a final argument for any drastic revision of the target of 25 lakh tons assumed in the second Five-Year Plan. Mr.

Ajit Prasad Jain, the Food and Agriculture Minister, has ruled out the possibility of any large surplus arising as a result of the licensing of new units or expansion of the capacity of existing units. He has also, appropriately enough, referred to the question of exports, subsidised by the general consumer, as somewhat academic at this stage. These are all matters in which premature fears should not be created in the context of the development plans, for that would involve a certain compartmental view of the trends in our economy. It has been the private sector's case, for example, that in the next five years the rate of increase of the demand for cloth would be such as to raise the per capita consumption to 20 yards and above and surely it cannot be that the case of sugar stands on a much different footing. It is well known that even in the matter of cloth the existing capacity can turn out much more than what it now does because of the limitations placed by ceilings on output; this has not been accepted as a reason for the proposed refusal of new spinning units to bolster up the Ambar Charkha or for the very modest increase in the cloth ceiling by only 500 million yards. Sugar production is one line which is firmly to be held in the private sector, and any hesitation or doubt in undertaking expansion on anything less than the most ambitious lines can hardly be consistent with the ambitions entertained by the private sector for a larger share in development than what has been allotted.

It is hardly appropriate to create the impression that the industry would be content with a more limited expansion and would be prepared to watch proposed investments in sugar being diverted elsewhere. This is precisely the danger to which Government's policies may in due course lead. The advocates of curbs on consumption can find in this an opportunity to urge that the community should impose sacrifices on itself in these consumer goods by restrictions on capacity and output and that any price-rises created by the shortage can be intercepted by Government by higher excise duties to form capital in the public sector. This is a theoretically tempting idea; though in practice it may be difficult of implementation in a climate of discontent which shortages may create. If, as a result, there is pressure on Government for imports of sugar—just as there may be pressure to prevent exports of cloth—the resulting loss of valuable foreign exchange cannot be in the national interest. There are uncertainties already in the fact that out of 50 new factories for which licences have been issued 25 are intended to be established on a co-operative basis; of 5.5 lakh tons of sugar expected from these new units some shortfall may be a possibility. Licences have also been issued for expansion of 46 existing units for an additional output of 3 lakh tons. All this production would be needed if the new demands have to be met without a return to the rigidities of control or rationing which may become inevitable when prices rise and foreign exchange becomes relatively more precious than it has been in the first Five-Year Plan. The only object at the present time should be to let the economy expand on all fronts and in all areas, and the country is vast enough to absorb what is likely to be produced. The fears of over-production created four years ago have been now proved to have been unfounded and the same may be eventually true of the apprehensions now felt.

Taxation of Registered Partnerships

A STUDY of the incidence and the probable effects of the proposed tax on registered partnership firms makes one wonder whether the Government is fully aware of the iniquitous nature of this impost. Such a study provides a remarkable example of the extent to which the Finance Minister is apparently willing to flout the elementary canons of fiscal equity in his search for additional tax revenue.

The principle that a partnership should be treated as an aggregation of individuals for tax purposes, has been recognised by the Taxation Enquiry Commission. The income of a registered partnership firm has, till now, been apportioned among the partners and the tax liability placed on the partners at the rate applicable on their total incomes. There appears to be no sound reason for departing from this eminently sensible method and imposing a special tax, as is now proposed, on partnerships as entities, while retaining the existing super-tax on incomes of individual partners.

The purpose of the new tax is presumably to check evasion of tax liability by introducing bogus partners, with a view to fractioning income and reducing the total tax liability. The number of cases, where such abuses have occurred, must be a negligible percentage of the total number of genuine partnership firms, the great majority of whom are engaged in highly specialised professional occupations, where creation of benami partners would be difficult, if not impossible.

There can be little doubt that the partnership as a form of business organisation has great advantages in those fields of activity where professional qualifications, specialised skill and personal integrity are important. In some of these cases, the partnership form of organisation is a legal necessity; in others, it is dictated by long-established professional tradition. Apart from the objection on principle to taxation of such firms, the proposed partnership tax is objectionable on the ground that it is a flagrant case of double taxation. This is because the rebate on the tax paid by the partnership will be admissible in the case of income-tax liability of individual partners, but not in the case of super-tax. As a result, a partner will be required to pay super-tax, at the rate applicable to the highest slab of his income, in respect of a part of the firm's profit, which the firm has already paid as income-tax and which has at no time been a part of his income.

An example of how the tax will work in practice will perhaps make the matter clearer. Let us suppose that a partnership firm consists of five partners who share in the profits at the following rates: A—30 per cent, B—25 per cent, C—20 per cent, D—15 per cent, E—10 per cent. If in a particular year, the firm earns a profit of Rs. 5,00,000 the shares of the various partners will be: A—Rs. 1,50,000, B—Rs. 1,25,000, C—Rs. 1,00,000, D—Rs. 75,000, and E—Rs. 50,000. The firm's tax liability will be Rs. 41,014, made up of a levy at the rate of 9 pies in the rupee on the first Rs. 75,000 of the profits, amounting to Rs. 3,515, a rate of one anna in the rupee on the next Rs. 75,000, amounting to Rs. 4,687 and a rate of one anna six pies in the rupee on the balance of Rs. 3,50,000, which amounts to Rs. 32,812. The shares received

by the partners are, therefore, reduced by Rs. 41,014 as follows:

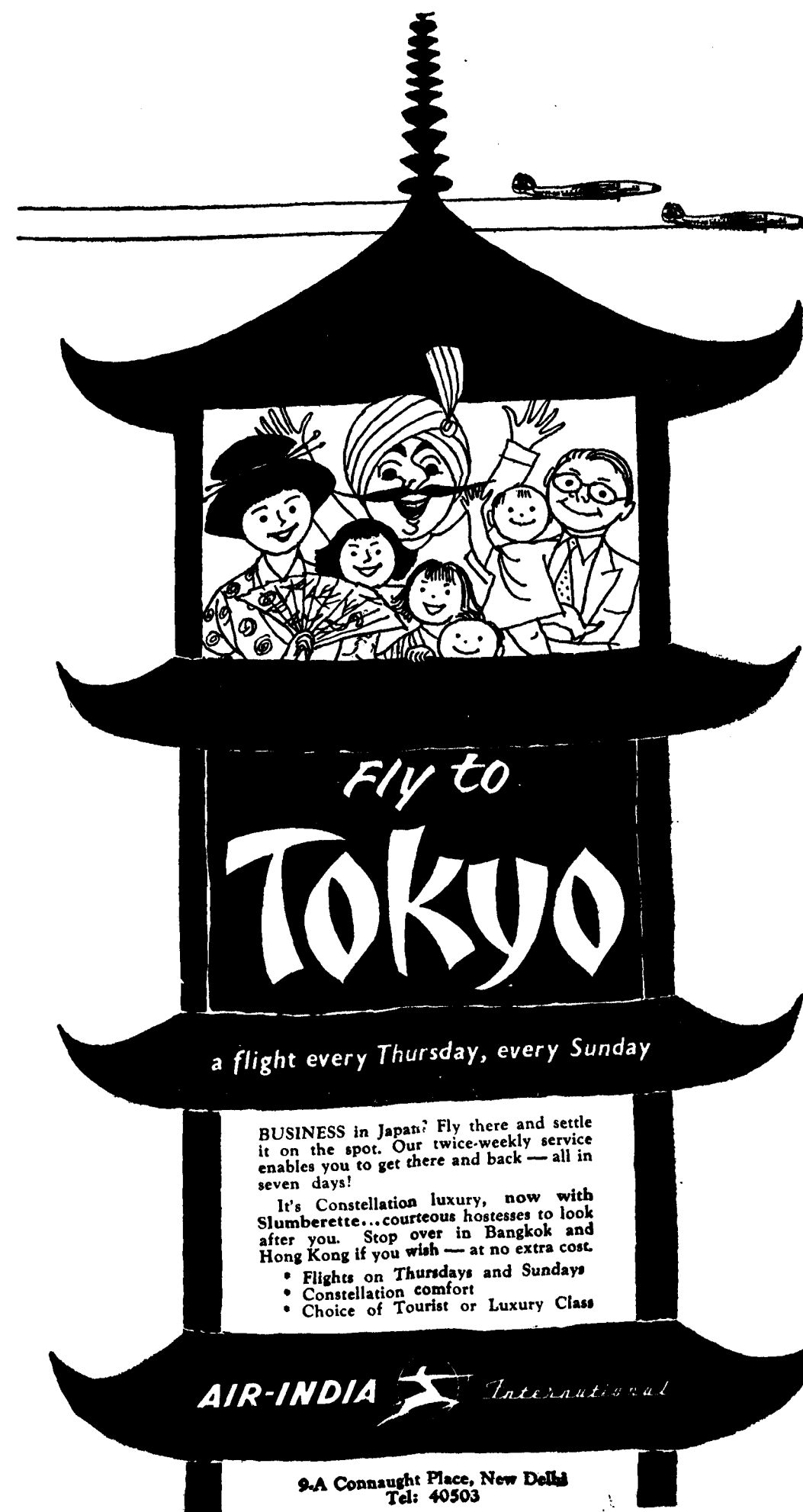
	(1) Gross Income	(2) Firm's Tax	(3) Net Income
A.	Rs. 1,50,000	Rs. 12,304	Rs. 1,37,696
B.	„ 1,25,000	„ 10,254	„ 1,14,746
C.	„ 1,00,000	„ 8,203	„ 91,797
D.	„ 75,000	„ 6,152	„ 68,848
E.	„ 50,000	„ 4,101	„ 45,899
	Rs. 5,00,000	Rs. 41,014	Rs. 4,58,986

The anomaly and the injustice lies in the fact that though the whole of the firm's tax of Rs. 41,014 is paid by the firm and only the balance of income is distributed among the partners, each partner has to pay super-tax on the gross income shown in column 1, which includes the firm's tax paid in column 2, which of course was never received by him at all, because it was paid over as tax by the firm. It is difficult to see how such a levy can be justified on any principle of fiscal equity.

The incidence of the tax, as distinct from the principle involved in its imposition, is so heavy as to be crushing. A partner already suffers from certain disabilities as compared with a salaried employee. He cannot make provision, through his firm, for a Provident or Superannuation Fund. He gets no tax-free perquisites such as (in the case of a foreigner) home leave passages. At current tax rates, a retiring partner finds it difficult if not impossible to realise the value of his original partnership share through sale to a new partner. In addition to all this, the tax now proposed is likely to put some members of partnership firms to a degree of hardship that may affect their ability to continue to participate in such concerns.

How heavily the tax will fall on some partners can be illustrated by comparing the position of partners A and C in the above example with those of a business or professional man operating on his own and of a salaried employee in company employment, in both cases with the same gross income and in the case of the employee, as a married man, after taking into account provident fund contributions to the extent of Rs. 6,000. With a gross income of Rs. 1,50,000 in all the cases, at 1955-56 tax rates, partner A would be left with net receipts of Rs. 52,973, the sole trader also with Rs. 52,973 and the salaried employee with Rs. 54,810. At the new rates proposed for 1956-57, partner A's net receipts would fall to Rs. 42,089, the sole trader's to Rs. 51,333 and the salaried employee's to Rs. 53,070. The relative worsening of the position of the partner is striking. In a similar calculation for partner C whose gross income is Rs. 1,00,000 as compared to the other two types of persons also with a gross income of Rs. 1,00,000, the net receipts of the partner decline from Rs. 45,630 at 1955-56 rates to Rs. 38,754, the sole trader's from Rs. 45,630 to Rs. 44,973 and those of the salaried employee from Rs. 47,525 to Rs. 46,869. Here again the partner fares very much worse than the others.

The conclusion seems inescapable, that the partnership tax is inequitable, discriminatory and likely to produce undesirable effects among a highly useful and respectable section of society.



Fly to Tokyo

a flight every Thursday, every Sunday

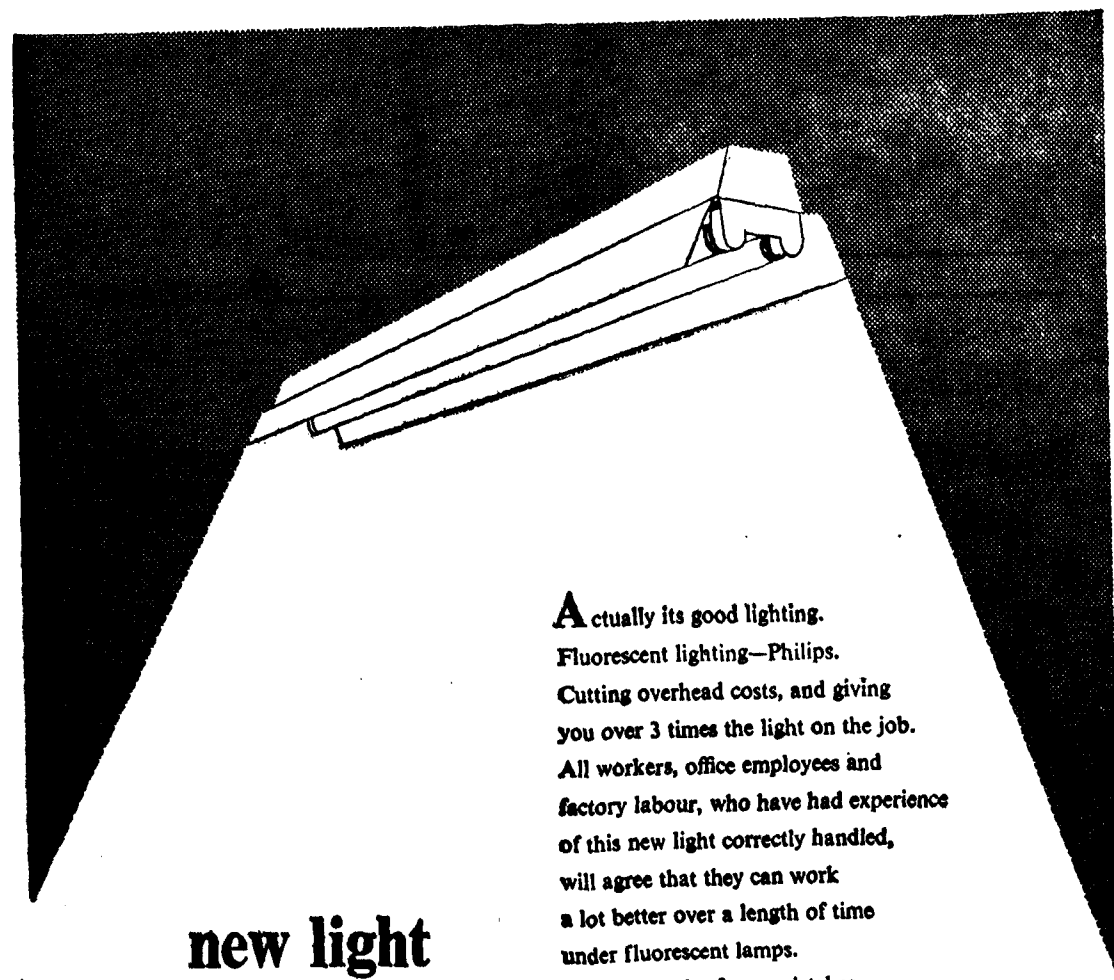
BUSINESS in Japan? Fly there and settle it on the spot. Our twice-weekly service enables you to get there and back — all in seven days!

It's Constellation luxury, now with Slumberette...courteous hostesses to look after you. Stop over in Bangkok and Hong Kong if you wish — at no extra cost.

- Flights on Thursdays and Sundays
- Constellation comfort
- Choice of Tourist or Luxury Class

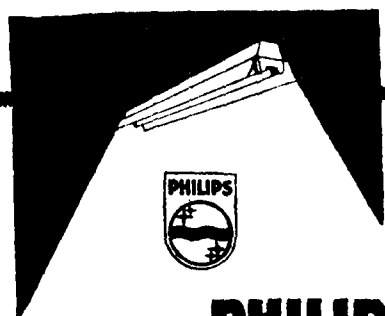
AIR-INDIA International

9-A Connaught Place, New Delhi
Tel: 40503



new light on your overheads

Actually its good lighting.
Fluorescent lighting—Philips.
Cutting overhead costs, and giving
you over 3 times the light on the job.
All workers, office employees and
factory labour, who have had experience
of this new light correctly handled,
will agree that they can work
a lot better over a length of time
under fluorescent lamps.
Less eye-strain, fewer mistakes,
quicker work, and an improved general
atmosphere, these are the results of better
lighting. And working tests have proved
that Philips Fluorescent Lamps,
used with quality control gear, have a
burning life of 7500 hours, which is just
about 4 years. These are a few reasons why
Philips Fluorescent Lamps & Fittings
are being installed in homes, offices
and factories throughout the world.



PHILIPS

make light work for you

PLANNED LIGHTING BY PHILIPS

Philips are fully prepared
to provide you, without any
obligation on your part, advice
for a planned lighting system.
Call them in and discuss it.
Philips Electrical Co. (India) Ltd.

Calcutta-Bombay-Delhi-Madras-Patna-Kanpur-Lucknow-Bangalore

PLX 67

THE WEEK'S NOTES

THE 'AMBAR' CHARKHA

WITH THE economies of the 'Ambar' charkha still undecided, the Production Ministry has proposed to put into production in the next twelve months two lakhs of 'Ambar' charkhas, without prejudice to the larger proposal for 25 lakh 'Ambar' charkhas during the second Plan period to meet the entire additional yarn requirements. In so far as the present scheme is intended to replace part of the yarn now supplied by the traditional type of charkha, it is all to the good, for the price of khadi is expected to go down by half as a result. Maybe this is an exaggerated estimate of the likely benefit. The Production Minister's reported estimate that a subsidy of four annas per yard of 'Ambar' khadi will bring its price to the level of comparable mill varieties appears too good to be true. There has been a suggestion that the annual cost of this subsidy, placed at Rs. 16 crores, can be met from an additional excise on mill cloth, which is by no means lightly taxed as it is. Mr. K. C. Reddy has also calculated that the larger programme will provide employment for five million persons, the capital expenditure involved being Rs. 144 crores and the working capital needed Rs. 60 crores.

But all these calculations have now been upset by the reported result of an experiment which discloses that output is well below what had hitherto been assumed and that the cost of the proposal will consequently be more than Rs. 500 crores. This probably means that not 25 lakh 'Ambar' charkhas but 50 lakhs will be required if all the additional yarn needs are to be met from this source. Not only the capital cost involved, which will surely be a waste when the inevitable changeover to mechanised production takes place by the grim logic of economics, but also the capacity of the country to produce and put into operation so many 'Ambar' charkhas has to be considered. Supporters of the 'Ambar' charkha may argue that the reported result of the experiment only means that possibly ten million persons can be employed in this programme. A rosy prospect, no doubt, but can mill cloth bear the burden of all that the purposeful functioning of 50 lakh 'Ambar' charkhas employing ten million persons will involve? At probably a fourth of the cost in capital investment mills can supply the additional yarn required at less cost with no additional burden on buyers of cloth. All the money that will be left over, after providing for investment in mills, out of the cost of the 'Ambar' charkha programme, can be usefully spent in engaging unemployed people to add to the permanent assets of the nation in the form of roads, canals and irrigation wells, which may not be immediately economically worth while but are bound to turn out to be so in the process of industrial growth.

SECOND THOUGHTS ON MERGER

THE PROPOSAL for the Bengal-Bihar merger seems destined to end not with a bang, but with a semi-whimper. This, in short, seems to be the conclusion that can be drawn from the trend of the recent talks in the capital concerning this move. The idea of parity for the two regions in the Upper House might not have been unacceptable, but the whole scheme, though imaginatively conceived and boldly placed before the public, smacked too much of a stratagem to get round an awkward situation created by rival border claims. Dr. Roy's demand that the Bihar areas recommended for inclusion in West Bengal by the S.R.C., and later modified by the Cabinet Sub-Committee, should be transferred to West Bengal in the event of the merger not

taking place, is unexceptionable and is unlikely to be refused by the Central Government. It is necessary to ensure that this decision should not once again set off a spate of demonstrations in Bihar and Bengal over little bits of territory.

The sudden cooling off of the ardour for merger exhibited in the earlier stages need not spell the end to the proposal for larger bilingual States, which will contribute to greater national solidarity and the death of linguistic fanaticism. But if bilingual States are to be workable propositions they must have their origins from below. This does not mean that only the people should make such proposals, for the people as such have no initiative in such matters. Courageous leadership guided by instinctive wisdom should sense the people's needs correctly and act accordingly. A few disgruntled politicians with an infinite capacity for organising mischief can give the appearance of a popular movement to a sectional narrow-minded agitation. The task of leaders in the South where a Dakshina Pradesh may provide the answer to many problems, and in other areas where bigger States are desirable for various reasons, is to uncover this and lead the people along the right path without appearing to impose anything on an unwilling people.

EXODUS FROM EAST BENGAL

THE MIGRATION of minorities from East Pakistan is assuming alarming proportions. The Rehabilitation Ministry report for 1955 placed the number of persons who migrated to India during the year at 240,000, a monthly average of 20,000. This is double the rate of the previous year and compares with a monthly figure of 6,000 during 1953. This steadily rising trend has been topped by a total exodus of 70,000 persons in January and February last. It may be recalled that Pakistan's draft Constitution was published in the beginning of January, and there is thus reasonable ground for the presumption that a great deal of the increase must have been due to its avowed Islamic bias.

But this has by no means been the only factor. Mr. Biswas, the Minorities Affairs Minister, disclosed in the Lok Sabha the other day that the most important cause of migration was the increasing incidence of crimes against the person and property of minorities, particularly crimes against Hindu women. The steadily shrinking scope of employment for Hindus in the private and public sectors—the Government is reported to have only issued instructions that private firms should employ only Muslims hereafter—and the Government's calculated policy of deliberate discrimination against Hindus in such matters as the requisitioning of houses and buildings, have all convinced even the land-bound minority community that Pakistan is not a safe home for them. Communal riots have not been infrequent and the police are stated to have displayed indifference towards complaints.

Mr. Biswas confessed that this gravest of Indo-Pakistan problems seemed impossible of solution—that is, expect through wholesale migration, which will involve an onerous burden on India. The Government of India have done all they could do to induce the Government of Pakistan to make conditions in that country safe for minorities, but to no effect. Ironically enough, Pakistan has been complaining that it is the inducements offered by India to refugees which are responsible for the exodus, though what attractions the life of a refugee can hold for a land-owning and

cultivating people it is difficult to fathom. The East Bengal refugee population in India at the end of 1955 was estimated at 36.7 lakhs, and any increase in that number at the present rate of migration will seriously upset India's economy and the second Plan. It is possible that Pakistan will not be unhappy to achieve such a result, but goodwill cannot be established so long as this situation lasts and it cuts the ground beneath Pakistan's contention that a solution of the Kashmir question is the only obstacle to such goodwill.

PROSPECTS OF DISARMAMENT

THE NEW plan for disarmament put forward jointly by Britain and France has had an unexpectedly warm reception at Soviet hands and looks like showing the way to an agreement on the procedure for the reduction of arms. The Anglo-French plan envisages a three-phase programme starting with the renunciation of the use of nuclear weapons except against an aggressor and freezing of the armaments, manpower and military spending of the Big Five at existing levels. A compromise between the aerial survey proposed by President Eisenhower and the Russian proposal for inspection teams at strategic points has been included as a pilot project and world disarmament conference will fix the limits of the forces of countries other than the Big Five. The success of all these schemes will, of course, depend on the working of the executive committee composed of the Big Five and ten others, which is to be in charge of supervision and implementation of the various phases and details. The absolute prohibition of the use of nuclear weapons for any purpose will ostensibly be the final step in the third phase leading to a state of comparative disarmament.

The United States is reported to have refused to back this plan fully on the ground that it is too sweeping, but the whole scheme depends on the efficiency and extent of supervision possible. Moreover, every stage of the programme is subject to unanimous international approval and stringent control. Be that as it may, the significance of the Soviet welcome should not be exaggerated since at every step their approval for the next move has to be obtained. Anyway, the most important single reason why disarmament talks have not hitherto made headway is that there has been no agreement on the method of supervision and the extent of supervision which will be required if disarmament is to be universal and simultaneous. The Soviet Union has been consistently refusing to allow that amount of control which the Western Powers consider as the necessary safety minimum, alleging that it will constitute interference in its internal affairs. But, while supervision will be easy in the open systems of the Western Powers, where every step in arms reduction will be publicly debated, in Russia such an automatic check as is provided by democracy and a free Press will be lacking. The size of the territory also makes difficult the task of ensuring that progress towards disarmament has in fact kept pace with the steps being taken by the other Powers. True, there has of late been a relaxation of tension, but whether this can justify the optimism of 'Izvestia' and Moscow Radio appears doubtful. However, the Russians have nothing to lose, and everything to gain by way of propaganda by seeming to welcome a disarmament plan which may create obstacles when it comes to implementation.

THE JANUS FACE OF FRANCE

PRIME MINISTER GUY MOLLET'S Republican Front Government has followed up the grant of freedom to Morocco with a similar praiseworthy move in Tunisia. In the elections which were held immediately after, supporters of the moderate nationalist leader, Mr. Habib Bourguiba, who negotiated Tunisian independence with

France, have won all the 93 seats in the Assembly, with 90 per cent of the electorate of 700,000 voting. This was in spite of the fact that the nationalist extremists who were dissatisfied with the agreement had called for a boycott of the elections on the ground that the electoral system favoured the National Front. The terms of the agreement are similar to those incorporated in the Franco-Moroccan agreement. Mr. Salah Ben Youssef, the former Neo-Destour leader, now in exile in Libya, has expressed doubts about the genuineness of the independence agreement and there have been demonstrations in Tunis and elsewhere by his supporters against Bourguiba. But, with 93 per cent of those who voted voting in his favour, Mr. Bourguiba is unlikely to be deterred in his task of implementing the agreement.

With Morocco and Tunisia off the list of France's North African liabilities, Algeria alone remains to torment her, and here the wheels of progress have been reversed with the grant of special powers to the Resident Minister and the sending of reinforcements of French troops. But the Algerian problem is complicated as much by the adamant behaviour of the French settlers who want to dominate and control the colony's affairs as by the absence of any recognised nationalist leader who can assure the French settlers of fair treatment and gain their confidence. Without proper leadership, the agitation has taken a turn towards terrorism, and it has become a matter of prestige for France to put this down before she can concede the demands of the nationalists. But the Tunisian example should show the Algerian nationalists that France means business when she says she wants to quit North Africa, though their faith has been rudely shaken by M. Mollet's retreat a few weeks ago. It is to be hoped that the Socialist Prime Minister of France will put the 'colons' in their place when he next visits Algiers instead of being bullied by them.

NEW MINISTRY FOR INDONESIA

INDONESIA'S FIRST elected Government has come into being with Dr. Ali Sastroamidjojo, the Nationalist leader, as the Prime Minister. The coalition headed by him is composed of the three biggest parties and five smaller ones and commands 189 seats in the new House of 260. Of the four main parties which emerged from the September elections, the first in Indonesian history, only the Communists with a strength of 39 will now form the Opposition. The inclusion of the pro-West Masjumi Party should not only give the Government the much-needed stability, but should also help to counterbalance the strong Left-wing influence of the neutralist Nationalist Party. The outgoing caretaker Cabinet of Dr. Harahap of the Masjumi Party has had to resign as a natural corollary to the inauguration of the new Parliament. Dr. Harahap's Ministry took a firm decision on elections and later took the initiative for terminating the Netherlands-Indonesian Union. These have offset the many other shortcomings of his Government.

Several problems, however, remain to be tackled. The future of West Irian is sure to dominate the political scene until Indonesian aspirations are met. So long as this problem continues to embitter Indonesia's relations with the Dutch, with the covert support of the West, the Communists will try to take advantage of it to give a pro-Soviet orientation to Indonesia's foreign policy. The growth of Communist strength in the last few years in the country has caused widespread concern abroad, and though they have been kept out of the Government up to now, Dr. Sastroamidjojo's earlier Cabinet had to depend on that party for functioning effectively. As it is, the present coalition Government may have to face many dangers to its life since there is no basic identity as regards foreign or domestic policy.

A Window on the World

THE APPROACHING WORLD CRISIS

By

ODYSSEUS

A NEW WORLD CRISIS? Is it towards that that we are hastening? Blithely, blandly, because we recoil from drawing the logical conclusions from the realities of the North African and Middle Eastern situations? I will merely set out the facts. They speak louder than any comments I could offer.

India's foreign policy is based on the assumption that, at least for the next few years, a reasonably stable balance of power will continue between the USSR and the USA and their respective camp followers. It is assumed that doubtless there will always be some pushing and shoving on the perimeter; tensions which it is India's objective to help to keep local, as with Korea and Indo-China. But it is not assumed that the over-all balance of power will be upset by any large-scale swing of camp followers from one side to the other.

We should, however, be prepared to witness in the near future a major swing of the balance away from the free world in favour of the Communists.

Of the USA's camp followers, the two most important are Britain and France, with West Germany coming up as her rearmament comes into being. All three belong to the North Atlantic Treaty Organisation, the existence of which first slowed down, and then held, the USSR's post-war drive to expand westwards the number of her satellites.

But, barring the unforeseen, France will within weeks face in Algeria the sort of major catastrophe that drove her from Indo-China. Her concession of independence to Morocco has set fire to Algeria. If it were merely a question of conceding independence, France might have withdrawn with a good grace, but her difficulties arise because Algeria has been since 1881 an integral part of France, and of the population of 8,676,000 no less than 1,200,000 are European French. It is, as M. Pincau said in Delhi, as though India's post-war independence had been complicated by the presence of a domiciled European population of 47,000,000. The Algerian French have no homes in France to which they could return. Although outnumbered by the indigenous Algerians by 7 to 1, the French Algerians have sufficient organisation and resources to be able to launch a civil war on a scale which would find the indigenous at an initial disadvantage. Whoever won such a war would be heir to devastation, ruin, and bitterness.

EUROPE UNDER SOVIET CONTROL

If France is expelled by an Algerian uprising, abetted by the Arabs of Africa and the Middle East, the consequences for Europe, and for the world, must be revolutionary. Could the present French republic, a weak enough regime in all conscience, survive it? A collapse could be followed by a dictatorship of the Right or, more probably, since there are 5,500,000 Communist voters, by a Popular Front ending in a Communist dictatorship which would turn the Quai d'Orsay into a branch office of the Kremlin.

With France a Communist satellite in control of the English Channel ports, would West Germany remain loyal to NATO? Power attracts followers. Would Germany not find it politic to climb on to the USSR's band-waggon before she was forcibly jerked into it? All Europe would follow and be added to the USSR's agglomeration of world power.

Britain's troubles are in the Middle East. Her interests there are (1) to ensure that the world's largest oil deposits remain accessible not only to the Commonwealth but to the whole free world, and (2) to prevent war between Israel and the Arabs in which the USSR would rejoice to intervene. Why should Britain be allowed to keep bases by treaty in Jordan or elsewhere? Why should she not buy oil from the Arabs just as she buys jute from India? Because, at a pinch, the Commonwealth could do without jute and because there is no hostile power on India's borders ready to pounce on her jute industry if it were left unguarded. But without Middle Eastern oil, Britain's 50,000,000 inhabitants would starve within weeks, because her capacity to manufacture and to export would be stricken. And it is too often forgotten that the economies of the Commonwealth, including India, and of the rest of the free world, would also be damaged in varying degree. The sterling area would cease to function. World trade would be reduced to barter. For India, the 1951 Iranian oil crisis is no precedent because we then had alternative sources of supply in the Middle East. But if, as seems certain, Britain is driven from the Middle East, can we rely on the USSR not to slip into the chair thus left vacant?

Consider: on the one hand, the USSR's oil resources are insufficient for her needs and, on the other, by controlling all Middle East supplies she could hold the whole free world to ransom. Not only are all Western Europe, Africa, and India, dependent on Middle Eastern oil, but the USA is a net importer of oil. Could the USSR resist such a chance to secure world domination?

Our sympathies are aroused by the renaissance of Arab nationalism. Britain's withdrawal from the Suez Canal and Glubb's dismissal are preludes to a glorious dawn. But we must face the possibility that the dawn may be blood-red and the certainty that the mid-day sun will blaze down on a world changed out of all recognition.

REPERCUSSIONS ON INDIA

With all Europe and the Middle East in the Sino-Soviet, Communist camp, we shall need to review our own position. Virtually all India's export and import trade is done with the Americas, Western Europe, and the Commonwealth, and our oil comes from the Middle East. Our economy and our Five-Year Plan could, therefore, continue to expand along their present lines with, but not without, Russia's blessing. If the Soviets wanted some or all of the oil or other commodities which we import, we could not prevent them from helping themselves. Ditto with our exports. We

could continue to sell to our present customers with, not without, Russia's blessing. Under British rule, our economy was subordinated to her conception of our interests and of her own. Since independence, our foreign trade has continued to flow for the most part in the old channels—but with this all-important difference: our economy is geared to the sterling and free world area to suit no man's convenience but our own. With the USSR controlling Europe and the Middle East, putting a strangle-hold on oil and other internationally traded commodities, she could dictate terms to the Commonwealth. Our economy would be adjusted once more to policies laid down by an alien authority.

The 'Manchester Guardian' said recently that Pandit Nehru would argue that if Britain and the USA would disinterest themselves militarily from the Middle East, the tensions would die and the Arabs would supply all the oil needed. But, asked the 'Guardian', can the West take the gamble that the Arabs could maintain their independence of the USSR once all Western material aid was withdrawn? Their present governments want to, but could they succeed?

The 'Guardian' said that Britain's recognition that she must avoid a head-on clash with Asian nationalism had saved her. But whereas Britain was able to hand the Indian sub-continent over to two stable successor states, the Middle East is a medley of mutually hostile statelets, over which Egypt and Iraq are contending with each other to impose the unity that Prussia imposed on the nineteenth century medley of German statelets. Should the West support Egypt or Iraq? No, said the 'Guardian'. The West cannot back Arab nationalism unreservedly, because one of its aims is to annihilate Israel. The West's obligation to protect Israel is the USSR's opportunity and the danger arises that the Arab intelligentsia will, from resentment at the West over Israel and other matters, precipitate their governments into the Soviet camp. But, concluded the 'Guardian', Arab nationalism, however violent, is not necessarily suicidal, and some of the present Arab governments would prefer the co-operation of the West rather than surrender to Soviet control. With these governments the West should co-operate. The USSR can always overbid the West in sympathy for Arab

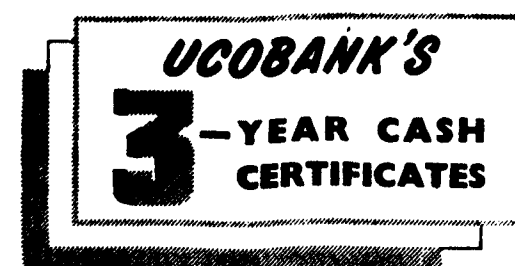
hostility to Israel and it would be absurd to jeopardise the safety of Israel by appeasement of the Arabs "of a kind which can bring no genuine reconciliation between Jews and Arabs". I do not understand this last sentence. The hope that aid to those Arab states ready to co-operate to preserve their independence could be distinguished from aid that would help them to subdue Israel seems unreal, as unreal as the West's current view that its aid to Pakistan is no danger to India. Such aid would be provocative of local antagonisms, just as it is here.

The last word on these problems may lie with Mr. Eisenhower. Recognising that a French collapse in Algeria could lead to the end of free Europe, will the USA seek to intervene diplomatically in such a way as to enable France to withdraw from Algeria in honourable fashion? The Paris Government might agree, but would the 1,200,000 French Algerians? Does the solution lie in their subsidised emigration to France, the Americas, and the Commonwealth? To us, who coped with a two-way mass migration involving 15,000,000, this would not seem difficult to organise. But the French Algerians might not wish to be organised out of their homes. They might prefer to die in them. Human nature often prefers emotions to logic.

In the Middle East, with the free world's oil at stake, US intervention is certain. All depends on its manner. If Mr. Eisenhower can keep Mr. Dulles under lock and key, he might steer the West through some summit negotiations with the USSR without toppling over the Dulles brink into World War III. But it will be a close shave: the stakes on each side are too high for it to be otherwise. But if the gamble comes off, I hope that Mr. Eisenhower will discipline his oil barons and veto any compromise that would rob India, the Commonwealth, and the free world, of their present sterling access to oil. We need all our dollars for other things.

These are the re-appraisals that one presumes are agonising the External Affairs Ministry. They should also be debated in the open so that public opinion may not be bewildered when the headlines begin to get bigger and blacker. That is why I set the ball of discussion rolling today.

A profitable investment . . .



- Repayable at any time
- Earns a higher rate of interest

THE UNITED COMMERCIAL BANK LTD.

Head office : Calcutta.



Paid-up Capital ... Rs. 2 Crores
Reserve Fund ... Rs. 95 Lacs

ALL TYPES OF BANKING BUSINESS TRANSACTED

G. D. BIRLA
CHAIRMAN

S. T. SADASIVAN
GENERAL MANAGER

Rupee Travellers cheques issued in convenient denominations.

NORTHERN RAILWAY NOTICE REGARDING CHANGES IN TIME TABLE

The important features of the changes in Time Table that will take effect from 1-4-1956 are notified below:

- (i) **Existing trains to be cancelled.**
(a) Nos. 63 Up/64 Down between New Delhi and Delhi.
(b) Nos. 1 FC/2FC between Faizabad and Kanpur Central.
(c) Nos. 71 Up/72 Down between Moghalsarai and Kanpur Central.
(d) Nos. 1 BF/2BF between Bhatinda and Ferozepore Cantt.
(e) Nos. 5BH/6BH between Bhatinda and Hindumalkote.
- (ii) **New Trains to be introduced.**
(a) Nos. 11 HH/12 HH between Hathras and Hathras Killah.
(b) Nos. 9 JN/10 JN between Jullundur City and Nakodar.
(c) Nos. 9 AP/12 AP between Amritsar and Patti.
(d) Nos. 2 URJ between Rajpura and Ambala Cantt.
(e) Nos. 2 LC/3 LC between Kanpur Central and Lucknow.
(f) Nos. 2 FL/1FL between Lucknow and Faizabad.
(g) Nos. 6 FH/5FH between Ferozepore Cantt. and Hindumalkote.
- (iii) **Trains extended**
Extended Run
No. 1 KFK (Old No. 1 FTC) /2KFK (Old No. 2FTC) between Khaga and Fatehpur.
No. 3 SS/4 SS between Sitapur Cantt. and Sitapur City.
No. 4 CCM (Old No. 2CC)/3 CCM (Old No. 1CC) between Chunar and Mirzapur.
- (iv) **Existing train halts cancelled.**
No. 7 JMP from Ghiala Musahibpur and Kala Bakra.
Nos. 75 Up/76 Dn. from Raiwala.
No. 72 Down from Achalda, Jhinhak and Rura.
No. 354 Dn. from Maripat, Ajaibpur, Wair and Sikandarpur.
No. 48 Down from Bhadan and Sarsaul.
No. 71 Up from Pora, Madrak, Daudkhan, Mehrawal and Danwar.
No. 1 UR from Fatehgarh Sahib.
No. 353 Up from Sikandarpur.

(v) Important changes in Mail and Express Train Timings.

Train No.	Station from	Time of Dep.	Station to	Time of Arr.
304 Up/Dn.	Delhi	21.0	Lucknow	7.20
31 Up	Delhi	21.20	Amritsar	8.17
319 Up	Ambala Cantt.	4.30	Nangal Dam	8.45
320 Down.	Nangal Dam.	21.15	Ambala Cantt.	1.35
303 Up	Lucknow	20.50	Delhi	7.30
401 Up	Delhi	21.30	Bikaner	9.30

(vi) Through and Sectional Services to be cancelled.

Departure from	Time	Arrival at	Time	Train to which attached	Class of accommodation.	Remarks.
Delhi	8.45	Khurja	11.35	2 ATD	III	This has been cancelled though shown in the Time Table.
Delhi	10.20	Lucknow	4.43	4MD/4KM/354	III	
Hardwar	17.56	Kalka	5.50	349/308	II, III	This has been cancelled though shown in the Time Table.
Kalka	22.0	Hardwar	9.15	307/350	II, III	
Kalka	22.0	Pathankot	8.5	307/305	I	
Khurja	15.23	Delhi	18.5	1 ATD	III	
Lucknow	22.14	Delhi	16.5	353/3KM/3MD	III	This has been cancelled though shown in the Time Table.
Panthankot	18.35	Kalka	5.50	306/303	I	
(vii) New through and Sectional Services to be introduced.						
Lucknow	14.55	Kalka	6.45	73/61	I	On Wed. and Sat. only.
Kalka	23.40	Lucknow	4.52	62/352	1	On Thursday and Sunday only.
Anupgarh	12.0	Bhatinda	22.30	1 BSA/2BBB	III	
Bhatinda	14.40	Anupgarh	9.40	3 BBB/1BHB/2 BSA	III	

(viii) For other details and timings at intermediate stations reference may be made to the April, 1956 Time Table and Guide available for sale at Railway Bookstalls.

CHIEF OPERATING SUPERINTENDENT,
NEW DELHI.

Economic Report from the U.S.

U.S. ECONOMIC SCENE

(BY GUY SIMS FITCH)

WASHINGTON March 27.—Stability and confidence dominate the American economic scene as the first quarter of 1956 comes to a close. Business activity has been holding at the record levels set in the final quarter of 1955 and is expected to remain high throughout the year. There was a cut in automobile production and a slight dip in housing starts, but these have been offset by strength in other sectors of the economy, notably by the high rate of business investment in plant and equipment.

A report this week by the members of the National Association of Purchasing Agents underscores the sustained economic vitality. Some 33 per cent of these business executives say their companies stepped up their production schedules in March, while 57 per cent say production was the same as in February. A strikingly similar pattern emerges from new orders booked for future months. Reports of declines in either output or orders are few and far between. In fact, recent expressions of widespread confidence point rather to an acceleration in economic activity. Within the past month, both business men and consumers have projected the most optimistic spending plans ever drawn for any single year.

The U.S. Commerce Department and the U.S. Securities and Exchange Commission, in a joint nation-wide survey, have found that business men plan to spend an unprecedented \$35,000 million for new plant and equipment this year—a jump of 22 per cent over last year's record total. All major industrial groups are represented in the increased investment plans. What is more, outlays are expected to rise throughout the year. These expansion and modernization expenditures are projected at a seasonably adjusted annual rate of \$34,500 million in the first half of 1956, and at \$35,500 million in the second half. Actual outlays already have reached an estimated annual rate of \$35,200.89, in the first quarter, compared with a rate of \$31,600 million predicted by the two Government agencies last December. Commerce Secretary, Sinclair Weeks, has characterized these record capital investments as "the best economic news so far this year." Most economists believe that business activity in 1956 will depend to a large extent on the size of these business outlays, in contrast to 1955 when the upsurge was based primarily on consumer spending.

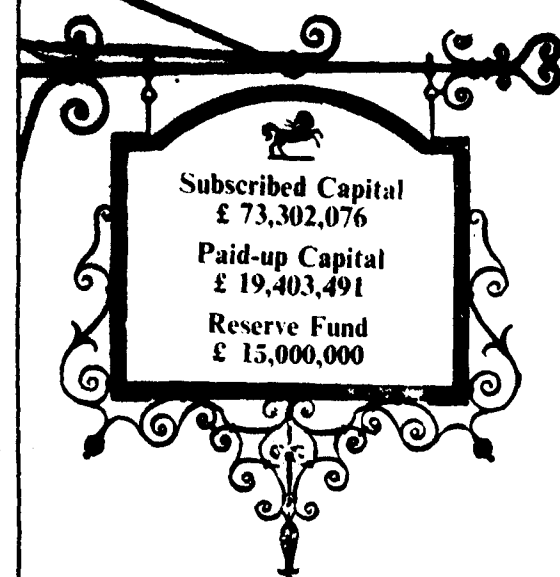
It is not that the American consumer, plans to sit idle this year. To the contrary, he has been spending so far at a rate comparable with the high 1955 pace, and from all indications, he will continue to do so.

The US Federal Reserve Board and the Survey Research Centre of the University of Michigan report that their annual study shows the American people are planning to buy at least as many homes, automobiles, and other goods as they did last year. This representative sampling finds consumer more optimistic than ever about the general business outlook and their own financial positions. Reinforcing these surveys, which have proved remarkably accurate in recent years, is a report by the US Department of Labour. It finds that

business men throughout the United States expect a "brisk" pick-up in employment this spring, as they will need additional workers to meet rising production schedules. Job gains are expected to stem mainly from the usual seasonal revival in construction, lumbering, farming and other outdoor work. But manufacturing industries, including the automobiles industry, also have scheduled significant increases in their hiring rates.

It is too early to tell whether all this will add up to another record-breaking year for the American economy. There are those who cautiously hold up warning flags, noting that actual performance has yet to match the unparalleled expressions of confidence. But even they concede that the sources of economic health are strong and plentiful. And more than a few economists are beginning to think that 1956 may repeat the 1955 pattern—actual achievements exceeding forecasts as the year advances.

LLOYDS BANK LIMITED



Let LLOYDS BANK
look after your interests



LLOYDS BANK LIMITED INCORPORATED IN ENGLAND

WORLDGRAM

AGRICULTURE

Sugarcane Cultivation in India: Sugarcane yield in blocks brought under intensive development is 23.8 tons per acre as compared to an average of 13.9 tons per acre in the entire area of 39.32 lakh acres under the cane in the country. The increase in per acre yield relates to 6.25 lakh acres taken up under intensive cultivation. Bombay registered the highest acre yield of 42.1 tons in 1953-54 in intensive cultivation blocks. U.P. and Bihar which together constitute the major sugar producing areas in the country had the per acre yields at 18.9 tons and 18.4 tons respectively in 1954-55 in the intensive cultivation blocks. The Government of India had now directed the State Governments to bring the maximum of the remaining area of 33 lakh acres under intensive cultivation scheme.

Control of Cane Insect Pests: About Rs. 20 lakhs worth of schemes for the control of sugarcane insect pests at regional centres in the various cane-producing States were sanctioned by the Indian Central Sugarcane Committee which met here recently under the presidency of Shri T. C. Puri, Joint Secretary, Union Ministry of Food and Agriculture. The Committee approved of cane development schemes in Madhya Pradesh, Assam and Mysore under the second Five-Year Plan and proposals for soil survey in Bombay, Mysore and Hyderabad. The Committee also sanctioned an all-India scheme for "studies of physical and chemical criteria of 'gur' leading to the formulation of a basis of gur grades" for two years at the Indian Institute of Sugarcane Research, Lucknow, schemes for research in the manufacture and storage of gur in Madhya Bharat, Assam, Mysore, Hyderabad and Andhra.

INDUSTRY

Standard for Electrical Steel Sheets: The Indian Standards Institution has published an Indian standard specification for electrical steel sheets. This standard covers the requirements for electrical steel sheets of four grades intended for use in the manufacture of fans, motors, dynamos, transformers and similar other electrical equipment. The Standard specifies maximum specific core losses of electrical steel sheets and prescribes standard sizes for different grades of such sheets. It also includes the inspection and testing facilities required to be afforded by the manufacturer to the purchaser. Methods of tests for determining the requirements of steel sheets used for electrical purposes in respect of specific core loss, permeability, space factor, surface quality or lamination, brittleness, and ageing have been laid down in a separate Indian standard.

Cotton Reinforcing Tape for Aircraft: An Indian standard specification for cotton reinforcing tape for aircraft has been published by the Indian Standards Institution. This standard prescribes the quality of yarn intended for use in the manufacture of tape, weave, and other details of manufacture. It also prescribes the specific requirements such as ends in full width and picks per inch, width, length, weight per linear yard, breaking strength, scouring loss, and chemical neutrality. In the seven appendices to this standard are included methods of test for the determination of the following characteristics of the tape: ends in full width and picks per inch, width of tape, length of roll, weight per linear yard, breaking

strength, scouring loss, and chemical neutrality. Details of the length of tape in a roll and the method of marking rolls have also been given in the standard.

U.K.'s Steel Production: United Kingdom steel production in February was the highest achieved in any month. Reaching a weekly rate of 417,000 tons, the February output surpassed by 9,200 tons the previous highest figure, achieved last November. The year's production estimates have been revised as a result of the achievements in February. Announcing this in London, the Iron and Steel Board states that it should be possible to produce about 1,500,000 tons more crude steel this year than in 1955. This forecast raises the current year's production estimate to about 21,300,000 tons. The annual rate has gone up from 19,860,000 tons in December 1955 to 21,069,000 tons in January 1956 with a further leap of 655,000 tons to reach the February estimate of 21,724,000 tons. Pig-iron production in February was also at the highest rate for any month.

Penicillin Factory's Production: The State-owned Penicillin factory at Pimpri, near Poona, which has been gradually stepping up its output, has now exceeded the target rate of production. The factory produced 889,000 mega units of penicillin last month giving an average of 10.7 million mega units per year, well above the target of 9.0 million mega units per year envisaged when the factory was planned. The factory, which is the first of its kind in India, began trial production in March last year with an output of nearly 67,000 mega units for the first month. Regular production began in August 1955 when the production stood at nearly 480,000 mega units. Till the end of February 1956, the factory's total production was nearly 5.6 million mega units of penicillin. This is well above the target of 4.8 million mega units fixed under the first Five-Year Plan.

Drilling Rig for Oil Prospecting: An agreement for the purchase of a drilling rig and the training of technicians to operate it at a cost of Rs. 45½ lakhs, has been signed between the Governments of India and Rumania. The agreement also includes the import from Rumania of tools, accessories, and spares for one years working of the rig which has 10,000 feet capacity. The Rumanian Government, according to the agreement, will erect the drill at the operation site free of cost but will charge for the services of 22 technicians that will operate the drill and for the training of Indian personnel for a period of six months. Satisfactory performance of the drilling rig tools and accessories for a period of 12 months have also been guaranteed under the agreement. The drill will be used in Jwalamukhi area in the Punjab.

TRADE

Validity of Import Licences Extended: The Government of India, according to a Public Notice published in the Gazette of India, have decided that all import licences, the validity of which expired during the recent dock strike in Australia, will be automatically extended to cover shipments up to April 15, 1956. This concession will be applicable to import licences which, after taking into account the 15 days' grace period, expired on February 15, 1956, or thereafter. A dock strike was recently reported in Australia from January 22 to February 15. As a result, there have been cases of delays of shipment. No formal revalidation of the licences will be necessary. The customs authorities will allow clearance of goods against

the import licences provided the importers produce a certificate from their foreign suppliers/shippers to the effect that the goods in question would have been shipped during the period of original validity of the licence, but for the strike. No further extension of the validity will be allowed.

Indo-Yugoslav Trade Doubled: According to Yugoslav economic review 'Ekonomika Politika' trade between Yugoslavia and India in the first two months of 1956 was double the value of the whole of last year's exchange of goods. Business contracts for the export of Yugoslav iron and steel products concluded for January and February of this year amounted to \$1 million, while the value of last year's total trade turnover was only \$520,000. This, 'Ekonomika Politika' said, was an encouraging element for the economic talks between Yugoslavia and India which are to open in New Delhi shortly. The question of revision and renewal of the trade agreement of July, 1953, will be examined, and the possibilities of establishing technical co-operation and conditions for the conclusion of commercial arrangements will be discussed. Shipping and transport questions are also to be dealt with.

India's Trade Arrangement with Finland: Letters were exchanged in New Delhi recently between the representatives of the Government of India and the Government of Finland extending the validity of the Trade Arrangement between the two countries up to December 31, 1956. An opportunity was also taken to review the development of trade between the two countries. Imports into India from Finland amounted to Rs. 1.88 crores, Rs. 2.14 crores and Rs. 1.8 crores during the year 1953-54, 1954-55 and 1955-56 (April-December 1955) respectively. India's exports to Finland during the same period totalled Rs. 13 lakhs, Rs. 18 lakhs and Rs. 38 lakhs, respectively. The important items in the list of exports from India to Finland are tobacco, hides and skins, cashewnuts, spices, jute goods, tea, coffee, shellac, coir yarn and manufactures, fibres for brushes and brooms, myrobolans and extracts, handicrafts and cottage industry products, cotton textiles, coal and iron ore. Among the chief items available for export from Finland to India are tea chests, mechanical and chemical wood pulp, newsprint, various kinds of papers and paper products, boards, stationery, household and sanitary porcelain, steel files, machinery for farming, woodworking, plywood, road making etc. and electrical and tele-communication cables. The Trade Arrangement was signed on January 12, 1951, and was extended from time to time. It was extended in April 1954 and was valid up to December 31, 1955.

FINANCE

Aid for Road Development: Sums totalling Rs. 12,02,500 have been sanctioned by Government of India for road development works in Bihar, Kutch, Tripura and Uttar Pradesh. Of this a sum of Rs. 14,64,100 is for laying tar-carpet on the first 18 miles of the Agartala-Assam road and Rs. 3,000 for survey operations relating to the Melaghar-Kakraban portion of the Melaghar-Udaipur road. A sum of Rs. 1,63,400 has been provided for the construction of minor bridges between 18 miles on the Talwana-Pragpur road in Kutch. Of the expenditure of Rs. 1,26,100 approved for the construction of five minor bridges between miles 18 and 33 of the Pithoragarh-Askot road in the Almora district of Uttar Pradesh, Government of India's share will be Rs. 1,18,600. The rest is to be met from the State's allocations from the Central Road Fund. Technical approval has been given for improvements to Buxar railway station—Ramrekha-ghat road in Bihar (reconstruction of the canal bridge) at an estimated cost of Rs. 45,200. Government of India's share of this expenditure will be to the extent of Rs. 45,400.

Loans by Rehabilitation Finance Administration: Up to the end of January 1956, the Rehabilitation Finance Administration had disbursed about Rs. 997.17 lakhs by way of loans to displaced persons. Of this amount Rs. 704.14 lakhs were given to displaced persons from West Pakistan and Rs. 293.03 lakhs to those from East Pakistan. The total amount of loans sanctioned by the Administration up to February 29, 1956, was Rs. 1262.67 lakhs. An amount of Rs. 64.54 lakhs was granted on 4,787 fresh applications from East Pakistan displaced persons.

Aid for Village Oil Industry: Further development aid, consisting of grants and loans, has been sanctioned to the village oil industry by the Government of India. Madras has been given a grant of Rs. 1,37,400 and a loan of Rs. 30,000. A loan of Rs. 40,000 and a grant of Rs. 78,000 have been sanctioned to Delhi. Madhya Pradesh has been given a grant of Rs. 24,290. For the development of the gur and khandsari industry, the Centre has sanctioned a further loan of Rs. 22,500 and grants totalling Rs. 62,400. The loan has been given to Bombay for introducing improved appliances required for manufacturing gur and khandsari. Out of the grants, Uttar Pradesh gets Rs. 30,000 and Punjab Rs. 12,000. Smaller grants have been sanctioned to Bihar, Hyderabad, Andhra, Madras, West Bengal, Orissa, Madhya Pradesh, Assam and Mysore. Besides this the All-India Khadi and Village Industries Board has been sanctioned an additional expenditure of Rs. 13,300 on contingencies for the implementation of the palm gur scheme.

GENERAL

Centre for Research in Basic Education: The Government of India have set up recently a National Centre for Research in Basic Education. The Centre will deal, among other things, with research from an all India point of view in the field of Basic Education, curriculum construction, correlation and other problems of teaching methods, research in crafts, improvement of crafts equipment and materials, production of literature for children and teachers including guide books for teachers, crafts for Basic Schools in urban areas, optimum time which may be allotted in the curriculum to various crafts and factories involved in reconstituting schools in the Basic pattern. It will also undertake the training of basic education workers at the higher level, i.e., inspectors, administrators and supervisors, and to associate itself in various ways with the work of the existing Basic Training Institutions.

Special Scheme for Educated Unemployed: The Study Group on Educated Unemployed has recommended special schemes which are likely to provide employment to 2.4 lakhs of educated persons. The corresponding investment required would be of the order of Rs. 130 crores. The Planning Commission had asked the Study Group to work out details of pilot projects for which financial provision has been made. If pilot projects are successful, the question of adequate allocations for special schemes will be considered.

Tubewell Programme in Second Plan Period: During the second Plan period it was proposed to construct 3,755 irrigation tubewells at an estimated cost of about Rs. 24 crores in the State of Punjab, Pepsu, Uttar Pradesh, Bombay, Bihar (Aurangabad-Bhabua), Madras, Andhra, West Bengal, Orissa, Madhya Pradesh, Saurashtra, Rajasthan, Assam and Madhya Bharat. The construction of tubewells in areas other than Punjab, Pepsu, Uttar Pradesh and Bombay (North Gujarat) would, however, depend upon the results of the Exploratory Tubewells Programme of the Government of India for these areas.

NEWS IN BRIEF

INDIAN

India and United States signed recently an agreement for the sale of 21 tons of heavy water to India as part of a broader programme of co-operation in peaceful uses of atomic energy in which the two nations are engaged.

The Government of India have decided to extend for a further period, up to the 30th September, 1956, the existing arrangements for payment to displaced central and provincial government pensioners of advances of pensions pending the transfer of their pensions from Pakistan.

It is reported a sum of Rs. 1,223.42 lakhs had been spent on the first Five-Year Plan in Kashmir.

A proposal to create a Directorate-General of Tourism is under the consideration of the Government of India, according to a review of the activities of the Ministry of Transport for 1955-56.

It is reported Rs. 5 crores had been provided for loans to State Governments for subscribing to the share capital of the co-operative sugar factories. The Industrial Finance Corporation of India was also given a loan at the rate of Rs. 35 to Rs. 45 lakhs per factory on the joint guarantee of the State and Union Governments.

With a view to stimulating agricultural research in the country, the Indian Council of Agricultural Research has decided to award fellowships in agronomy, horticulture, agricultural economics, agricultural botany, agricultural entomology, mycology and plant pathology, social science, agricultural chemistry, dairying, animal husbandry and agricultural statistics.

Indian shipping companies placed orders abroad for the construction of 17 ships of a total of about 110,000 G.R.T., during the first Five-Year Plan period. Of these five ships of a total of 33,500 G.R.T. have already been delivered.

The Government of India have, up to January, 1956, sanctioned about Rs. 21.28 crores as loans to various States under the Low-Income-Group Housing Scheme.

During 1955, 58,236 persons were trained by the National Volunteer Force at 127 training camps, each of 30 days' duration.

It is reported about 20 million general lighting service lamps are manufactured in India every year.

Schemes costing Rs. 360.80 lakhs for Cochin Harbour and Rs. 7 lakhs for Alleppey Port have been drawn up for inclusion in the second Five-Year Plan.

The Employees' State Insurance Scheme is now in force in about 30 industrial areas and covers nearly one million workers.

Wheat imports into India declined from 3,617 lakh tons in 1951-52 to about 326 lakh tons in 1955-56.

It is reported about 14.5 million razor blades are produced in India every month.

It is proposed to train 5,000 Gram Sevikas during the second Five-Year Plan period.

FOREIGN

A trade and payments agreement between Ceylon and the Rumanian Peoples Republic was signed recently in Colombo.

The non-Communist world produced 2,614,000 thousand long tons of primary copper last year compared with an estimate of 355,000 tons by Russia and her allies.

An International Convention—the first of its kind—is being held in conjunction with the Mechanical Handling Exhibition—at Earls Court, London, 9-19 May, 1956. Speakers from all over the world will be there to discuss the latest labour-aiding equipment, and its application to their own industries.

Thirty-eight million three hundred thousand children and mothers are expected to benefit from UNICEF-aided activities in 1956—a rise of more than 18 per cent over 1955.

An all-time high in the flying of freight between the United States and Europe was achieved by Pan American World Airways in 1956, when it carried almost 7,000,000 pounds over the Atlantic.

More than 6,000 airplane seats on 100 flights a week will be available to trans-Atlantic holiday-seekers this summer on Trans World Airlines Constellation flights between European and United States terminals.

It is reported an Anglo-German economic Committee, has been set up to discuss economic matters, of mutual interest to the two countries.

Taxation relief equivalent to Rs. 5.7 million (£430,000) was provided in the Pakistan Budget. Total revenue was put at Rs. 1,310.2 million (£98.3 million) and expenditure at Rs. 1,304.4 million. The import duty on British drugs was cut by 7½ per cent. Income-tax relief was also provided.

France, like Britain, is to revise its cost of living index. The present one, drawn up in 1949, and comprising 213 articles, is considered out of date.

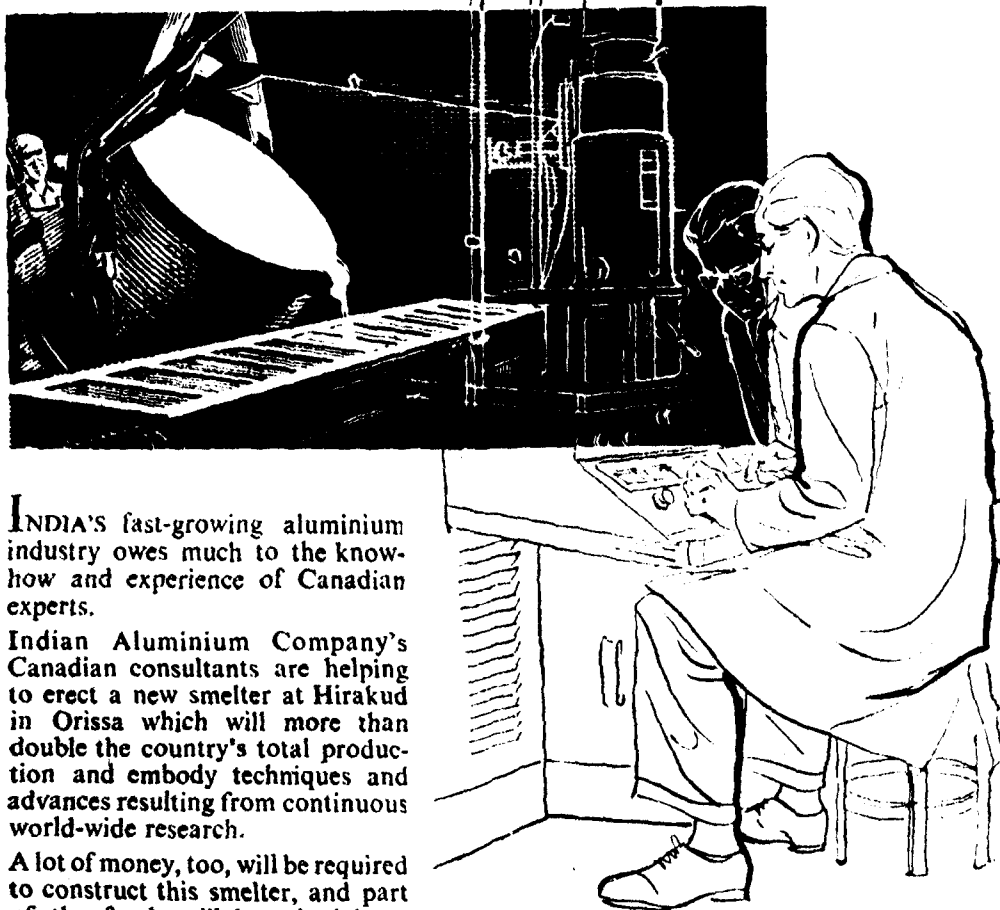
A West German trade delegation and the Government of Uruguay have agreed to settle the payments between the two countries on a multilateral basis. Other European countries, especially, the members of the multilateral payments system with Brazil, are expected to conclude similar agreements with Uruguay.

Gross operating revenues of the British Columbia Power Corporation rose 7.1 per cent to \$63.4 million in 1955, while operating expenses were 3.3 per cent higher at \$48.8 million leaving operating income of \$14.65 million against \$12.03 million.

A new road from the border of France along the Italian Riviera to Genoa is being completed over the old route carved by the Romans between the Maritime Alps and the Mediterranean, according to Pan American World Airways.

The world's first long-range propeller-jet air service will be started in July when B.O.A.C. introduces the giant Bristol Britannia on the route between London and Johannesburg.

CANADIAN KNOW-HOW — serving a vital Indian industry



INDIA'S fast-growing aluminium industry owes much to the know-how and experience of Canadian experts.

Indian Aluminium Company's Canadian consultants are helping to erect a new smelter at Hirakud in Orissa which will more than double the country's total production and embody techniques and advances resulting from continuous world-wide research.

A lot of money, too, will be required to construct this smelter, and part of the funds will be raised by a proposed issue of new capital by the Company.

**Indian Aluminium
Company Limited**

A Canadian - Indian Enterprise

The Business World

NON-FERROUS SHEET ROLLING INDUSTRY

THE Indian non-ferrous sheet rolling industry which is in the grip of a crisis for the last few years had to face acute conditions in 1955. The root of its troubles goes much deeper than what appears on a superficial analysis of its problems and it would be obvious that stability can be secured only by long-term remedies. The pre-war demand for copper and brass sheets ranged in the neighbourhood of 30,000 tons of which indigenous production accounted for about one-third. The war-time spurt in demand led to an estimation of the post-war requirements to be of the order of 40,000 tons. This expectation of the Panel on Non-ferrous Metals Industries was not realised.

If it would be wrong to judge the assumptions made by the Panel in the light of subsequent experience, it is difficult to overlook the optimism engendered by it. The industry also needs to share part of the responsibility for some impatience shown in planning for expansion. Production capacity was raised from the pre-war figure of 10,000 tons to 45,000 tons in 1950 and to 54,000 tons in 1954 which represents the current level. As against this increase, output of large mills rose from 9,000 tons in the pre-war to 14,250 tons in 1955 and it is some relief that no imports are now made of commercial brass and copper sheets. But the grave effects of miscalculation in planning are quite apparent. About 75 per cent of the installed capacity remains idle and in the meantime depreciation and overheads are running at a high rate. The fair production cost estimated by the Tariff Board at Rs. 35 per ton for both types of sheets ten years ago has become out of date and needs to be revised.

The industry's present hard condition was recounted at the recent annual session of the Western India Sheet Rollers' Association by its President, Dr. C. A. Mehta. Basically the industry has been deprived of a balanced cost structure by the excessive disparity between production and installed capacity. The financial troubles in the recent past, however, have been aggravated by factors chief among which are that there is a critical shortage of raw materials, a steep rise in the price of copper and a fall in the demand for brass and copper sheets. The price of copper surpassed the previous peak of £307 per ton in 1954 and reached a new high of £404 per ton last year. The manufacturing margin, representing the gap between the cost of the metal and the price of sheets, which stood at Rs. 30 per cwt. in 1954 was halved on an average for the last year and touched even lower points. Raw material prices and the nature of the domestic demand explain the predicament of the Indian industry. The Association's President has stated that manufacturers in most of the Western countries enjoy the benefit of home supplies of copper at attractive prices generally £40 to £50 per ton below world prices, while Indian producers are offered imported as well as domestic supplies by ICC at prices related to the quotations on the London Metal Exchange, which are subject to frequent fluctuations,

sometimes of large magnitudes. The element of higher cost is difficult to be shifted to the consumer by reason of the elasticity of demand in this country.

The current difficulties of the industry present a tough problem, but in the light of the assured long-term prospect for its expansion imaginative action is needed by producers as well as by the Government. There can be no doubt about a rapid and continuous increase in the demand for cold rolled sheets for industrial use in the coming years. Indigenous manufacturers are aware of the need to divert the direction of output to industrial sheets on an increasing scale and have shown readiness to install additional equipment. It is only proper that no licences for new units to manufacture sheets and strips ought to be issued so long as existing units are prepared to cater to the rising demand. But fundamentally, the pressing problem of this industry is to obtain stable supplies of materials on a stable basis at reasonable prices. The Association has urged that the projected All-India Metals Board should now be set up without long delay. The main relief which it should be the Board's first objective to secure for the industry must be steady supplies by means of long-period contracts at reasonable prices. This would involve regulation of the direction of imports.

One grievance ventilated on behalf of the industry pertains to the levy of an import duty of 25 per cent on aluminium scrap. This is in reality a measure of protection to the home aluminium industry. The gravamen of the charge levelled against this policy on behalf of the non-ferrous sheet rolling industry is that while the duty has raised the price, between September 1955 and March 1956, of aluminium sheet scrap by As. 4 per lb., the price of indigenous aluminium ingots has gone up by As. 2 per lb. and even then home producers are not in a position to supply aluminium ingots to this industry in adequate quantities. The issue viewed in its entirety is complicated. On the one hand, Government is understandably anxious to meet the claim of the aluminium industry for assistance. On the other, the non-ferrous sheet rolling industry wants relief against hardship resulting from the levy. It is pointed out by the latter that its idle capacity can be absorbed in the production of aluminium sheet rolling by making suitable modifications necessary for the conversion. One inducement essential for this measure of rationalisation should be cheap supply of aluminium scrap. It is stated that indigenous ingots can be used for other purposes. In the context of this situation, a practical way out seems to be to investigate the feasibility of a revision of the rate of duty since total withdrawal represents one side of the picture. It is claimed for the industry that removal of the ban on export of copper sheets would enable it to explore the foreign market and reduce under-utilisation of capacity. Here, issue of ad hoc export licences may prove helpful in assessing the prospect for an export market without detriment to adequate supplies at home.

SUGAR INDUSTRY IN THE DECCAN

By

CROESUS

SUGAR interests in Bombay, representing the Deccan sugar factories, have greeted the proceedings of the twenty-third annual meeting of the Indian Sugar Mills' Association, held in Delhi last Saturday, with mixed

feelings. They are both concerned and gratified. Their concern is primarily because of the ominous reference that Mr. A. P. Jain, the Food and Agriculture Minister made—whilst inaugurating the meeting—to the Gov-

ernment still having under examination the question of a ceiling on sugarcane farms run by factories. For practically every factory in the Deccan has its own cane farm. A few of the factories like Belapur and Walchandnagar have to their credit a record of achievement in scientific sugarcane breeding and cultivation that some State-run farms cannot yet boast of. This is because the managements of the Deccan factories believe and always stress the fact—and rightly so—that “sugar is made on the farm”. Now, all this improvement has been possible because of the scope for experiments and research work that exists in the large farms of these factories. It is worth emphasising here that the results of these experiments and researches are freely extended by these factories to sugar cane cultivators near and around their factories, even if uncharitable critics may choose to attribute motives for this and say that this is done purely out of selfish considerations, inasmuch as the factories also buy sugarcane from these cultivators for use in their factories. Even so, the fact cannot be challenged that the cane cultivator benefits by reason of the relatively higher price that his cane yields, thanks to the improvement in its quality rendered possible by the good work of the factory farms. If the Government is under the impression—as it seems to be—that, by putting a ceiling on the cane farms of sugar factories, it can let cultivators have additional acres of their own under cane, thereby forcing the factories to purchase more outside cane at prices dictated by outside cultivators invariably at the instance of political agitators who have no stake of their own to lose either in the factories or in the land of the cultivators, it is bound to be disillusioned. Not only that, it will also lay itself open to the risk of two dangers: first, of a deterioration in the quality of the cane and, secondly, of a possible decline in the output of cane (unlike the factory farms, for, the cultivator will raise cane only when it suits him and the cane prices, vis-a-vis those of other crops, are high enough). In either case, there is the danger of the target for sugar under the second Five-Year Plan not being achieved.

The Deccan sugar interests have also some reason to be gratified because of the adoption, by the meeting, of the resolution on licensing of new units. As reported in the daily Press, the resolution, which was, appropriately enough, moved by Mr. K. K. Birla and seconded by Mr. R. P. Nevatia, (in that these cannot be accused of having brought forward a resolution out of any selfish interests inasmuch as they are not interested in any sugar factories in the Deccan) referred to the licensing of new units and, while recognising the need for sanctioning new units, recommended that due care should be exercised so that no indiscriminate and unplanned expansion was effected. That this apprehended eventuality has already begun to manifest itself will be evident from the experience of more than one Deccan sugar factory. Interested parties with the help of highly placed politicians are believed to have taken advantage of the encouragement and facilities and to have persuaded their henchmen to start sugar co-operatives and that in the dangerous vicinity of existing sugar factories. This move has led to several anomalies, such as, for instance, the diversion of cane supplies from the existing factories to the newly licensed co-operatives making it incumbent on these factories to go sometimes beyond a radius of even 5-10 miles to be assured of cane supplies. Where is the sense in, or justification for, planting a sugar co-operative so near an existing sugar factory as to deprive the latter of its present and near-at-hand source of cane supply to favour the former? Would it not have been saner, and also more economical from a national point of view, to insist on the newly licensed sugar co-operative locating itself somewhere beyond a given radius from an already existing sugar factory area. By the discriminate licensing of a sugar co-operative and the locating

of it in the wrong place, the licensing authorities can only achieve one thing, namely, to make the sugar of the adversely affected factory more costly to its consumers because of the increased cane transportation costs imposed on it wittingly or unwittingly. It is alleged that, in one instance, an earlier sensible decision, recommended by a committee specially appointed for the purpose, was reversed to please a political high-up!

Be that as it may, in moving the resolution, Mr. K. K. Birla pointed out that, by the end of the second Five-Year Plan, the target of sugar production would be exceeded by about five lakh tons merely “by carrying out the expansion plans” of the existing factories. Although Mr. Jain did not seem to think the licensing of new units would lead to no more than an increase in sugar production from 17 lakh tons this year to 25 lakh tons by the end of the second Plan period, he might have been sporting enough to accept the reasonable suggestion of the I.S.M.A. to “reassess the present overall capacity of the sugar industry along with future possibilities of its expansion”, before licensing new units—in particular co-operatives—in haste now and repenting for it in leisure later on. Repentance is all right in so far as it goes, but one must not forget that no amount of repentance can adequately compensate the taxpayer for the loss that a wrong decision entails.

THE EASTERN ECONOMIST

(Subscription Rates)

	Payable in advance	
	India	Foreign
	Rs.	Rs.
Annual	50	66
Half-yearly .. .	25	33

Copies delivered by air in Bombay, Calcutta and Madras at an extra cost of Rs. 9/- per year.

Foreign air rates on application. Offices in New York, London and Tokyo.

The Manager,
THE EASTERN ECONOMIST LTD.,
52, Queensway
NEW DELHI

THE HIND BANK LTD.

4, Brabourne Road, Calcutta-1.

FOR COMPLETE BANKING SERVICE

SUBSCRIBED CAPITAL . Rs. 1,00,00,000
PAID-UP CAPITAL . . . Rs. 50,00,000
RESERVE FUND Rs. 26,00,000

Connections in all principal
centres of the world

Chairman General Manager
Mr. K. P. GOENKA Mr. S. D. PARDIWALLA

The chair B.O.A.C. designed for the sky



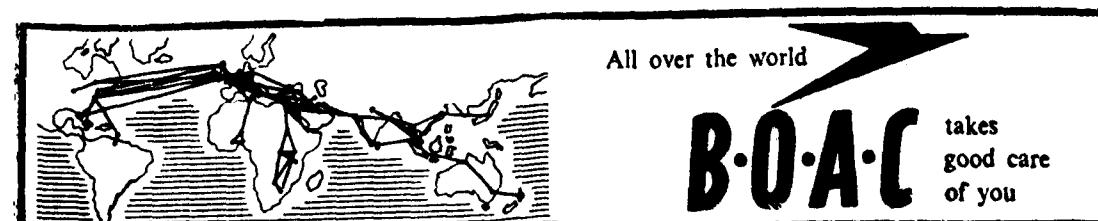
All the comfort of your
favourite armchair.



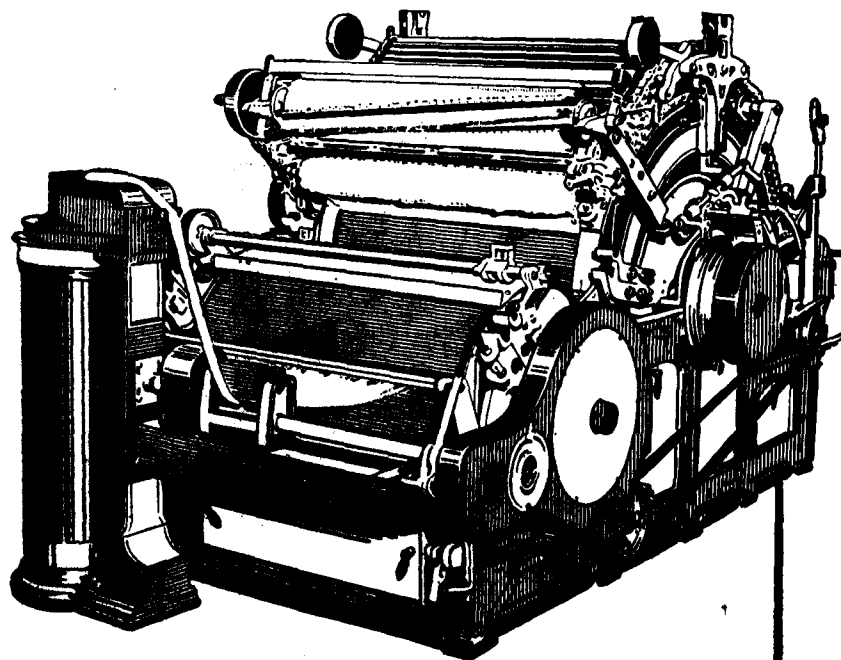
Maximum relaxation—with
room for feet and elbows!

'Slumberette' luxury by all B.O.A.C. Majestic services

Not only does B.O.A.C. offer you marvellous food and wines and really personal service...you'll enjoy the foam soft luxury of fully-reclining "Slumberette" seats. They're wonderful to sit up in...blissful to lie back and sleep in...scientifically designed to give you maximum comfort all the time. Much greater space between rows of seats—only 30 passengers on board—gives you spacious roominess. Sleep when you will in a luxurious full-length "Slumberette"—a superbly restful bed—and arrive at your destination fresh and well rested. Consult your local travel agent or B.O.A.C. office, Calcutta, Delhi, Bombay and Madras.



BRITISH OVERSEAS AIRWAYS CORPORATION

MMC**revolving flat cards****MACHINERY MANUFACTURERS CORPORATION LTD.**

Factory: Sonai Works, Kidderpore, Calcutta 23.

Managing Agents:

MAHINDRA & MAHINDRA LIMITEDHead Office: Gateway Building, Apollo Bunder, Bombay.
Calcutta Office: Hall & Anderson Building, Park Street.

are now being extensively used
in Textile Mills in India.
Their efficiency is undisputed,
their reliability guaranteed.

Outstanding features

- 1 Five distinct setting points, used singly or in combination to control setting to .001 inch.
- 2 Johnson bronze bearings for cylinders and doffers. Roller bearings to cylinder; ball bearings to doffer and ball bearing comb box also provided as optional equipment.
- 3 Ball bearings to lick-in pedestals.
- 4 Self-lubricating 'O-lite' bearings at several locations.
- 5 William's patent stripping motion for flats.
- 6 Drop lever with new disengaging handle.
- 7 Fluted lap roller with positive gear drive from feed roll helps uniform feed of lap at the back with minimum possible stretching.
- 8 Cards can be geared for any production in a mill organization.

PMMC-2A

17th June—1st July 1956

XXV international FAIR POZNAN (POLAND)

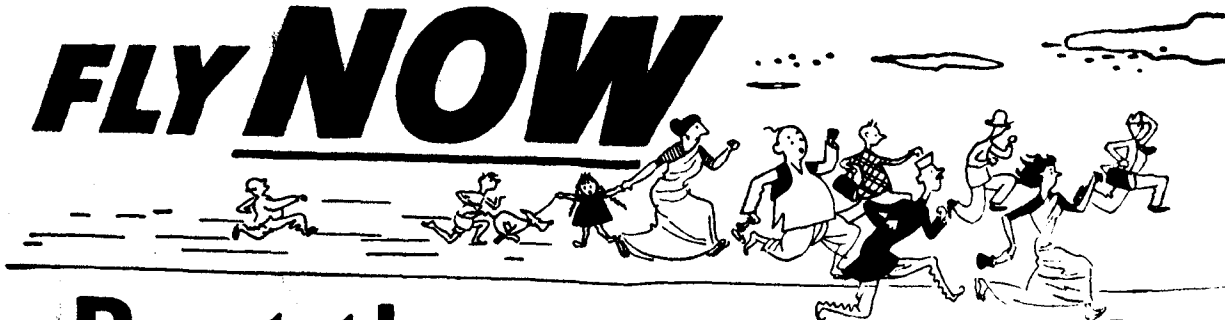
Great International Market in the interests of
EAST-WEST TRADE

At the previous Fair in 1955. Total area of the Fair was 225,000 sq. m., of which Covered area was 50,000 sq. m., and Open-air exhibition area was 25,000 sq. m.

24 European and Overseas countries exhibited at the Fair.

The Fair was visited by over 1,300,000 persons, including 3,500 visitors and buyers from abroad representing 45 countries.

Transactions were concluded with 35 countries.

FLY NOW

**Beat the summer rush
& be sure to...**

Fly the Finest... **FLY TWA**
TRANS WORLD AIRLINES
ASIA • AFRICA • EUROPE U.S.A.

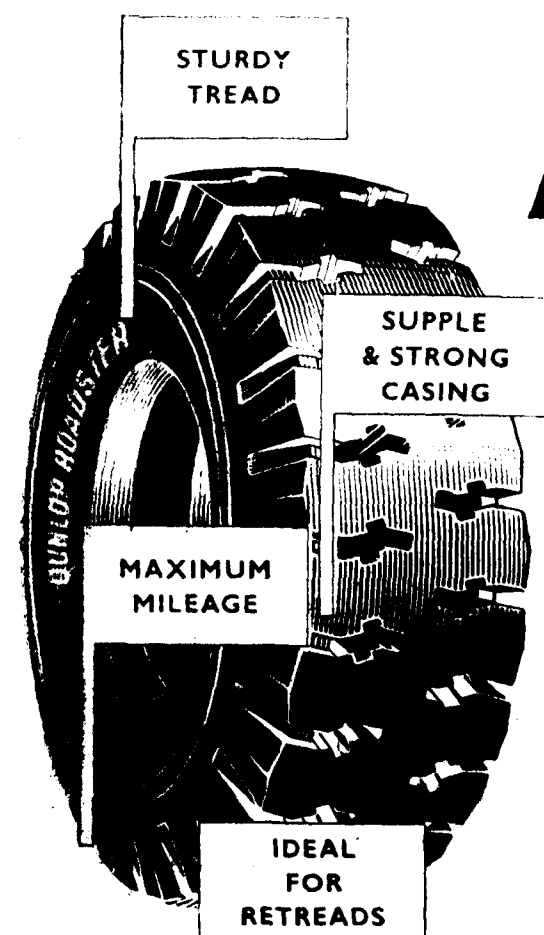
TWA/95

For Information apply to:
INTERNATIONAL POZNAN FAIR
14 Rokossowski Street, Poznan, Poland.
Cables: TARG POZNAN.

POLISH CHAMBER OF FOREIGN TRADE
4, Trzbacka Street, Warsaw, Poland.
Cables: INAZET WARSZAWA.

POLISH COMMERCIAL COUNSELLOR'S OFFICE
38, Golf Links, New Delhi.
Phone: 44597.





NEW

TRUCK AND BUS TYRE

the best tyre for Indian roads



DUNLOP ROADSTER

TESTED AND PROVED

ACROSS THE WORLD

DX-471

BUSINESS NOTES

PRIVATE SECTOR—AN OBJECTIVE ATTITUDE

THE SIMPLE philosophy behind the role of the private sector in the economy is unfolded in a new persuasive but convincing manner in the following extracts from the speech of Mr. J. F. Sinclair, incoming President, Bombay Chamber of Commerce at the Chamber's last annual meeting:

We are continually being told, and indeed it is obvious, that the fulfilment of this second Plan is going to strain the country's resources to the utmost, its resources of human skill as well as its financial resources. Would it not then be sensible to use to the greatest practicable extent those who have spent their whole lives doing exactly what we are told, and ourselves know, must be done at the highest possible pressure, if the race to economic and social prosperity is to be won. For, after all, what is it that the business man has spent his life learning to do better, he hopes, than the next man? It is, I suggest, simply to plan a project, whether it be a factory, a distribution system or a sale, with the utmost care, precision, speed and economy and, having planned it, to push it through with all the energy, tenacity and accumulated special skills he can organise for the purpose.

It all sounds simple enough, but I believe it is worth emphasising that these qualities and painfully learnt skills are not to be picked from a mango tree; they are very, very valuable commodities, in short supply, and I would say with all the earnestness I can command that to neglect them or suppress them at this critical hour is as criminal as to rob a bank.

We do not lay claim to high political administrative skill, we do not say that the Supreme Court or the High Courts would be more efficient instruments of justice if their benches were manned with business men, we would refuse an invitation to perform an intricate surgical operation on a friend, or even on an enemy. We are simple men, we respect and admire the special skills of others. All we ask is that our own special skills should be equally respected, and, if not admired, at least cherished and sympathetically directed to the attainment of our common objectives. Do we deserve the respect we claim? I would say firmly that we do. We have our weak sisters, our backsliding heifers, but so do all sections in all nations. What I would like to suggest, and I am not deterred by the piercing eye of our leading castigator of public and private morals, Mr. Gorwala, is that just as we are certainly in an era of staggering economic expansion, so also we may be at the beginning of an age of deepening social and civic consciousness which we can hope will permeate us all, politicians, bureaucrats, professional men, and naturally, business men.

The second Plan, somewhat nervously I thought, anticipates a possible private foreign investment, in the period, of Rs. 100 crores. Here, I think, the planners' imagination flagged for I am myself convinced that given a proper place for free enterprise, a minimum of encouragement, and a blunting of the sharper disincentives, our friends and associates overseas would consider it a privilege to be allowed to assist, to a far more substantial extent, on terms honourable and rewarding to both sides, in the vast and stimulating task that lies before us all.

THE BANK RATE

AN IMPORTANT issue which has raised some controversy in the Indian banking world has been discussed at adequate length by Mr. G. D. Birla in his presidential speech at the last annual general meeting of the United Commercial Bank. Mr. Birla has expressed himself in

emphatic terms that no change is called for in the Bank Rate in India at the present time. Those who plead for an increase in the rate point out to two indicators as urging such a change. They are the rise in the rates for deposits in this country and the steep increase in the rate of the Bank of England. The Chairman has no hesitation in considering as unconvincing the suggestion for the increase in the Indian bank rate on account of the trends in deposit rates. He has stressed that the interest rates quoted in the money market have not been integrated with the official rate and further the prevailing money rates in the bazar have not much real relation to the official rate.

Economic conditions in India at the present time are quite different from those in the United Kingdom, and no analogy need be drawn between the bank rates in the two countries. In India planning for increased production, a higher rate of national income and a larger measure of employment are the characteristics of the economic scene and the progress of the first Five-Year Plan has amply demonstrated that increased money supply has on the whole been matched by increased production. The impact of the increase in the Bank of England rate will be that Indian resources will have to take greater care of the finances required for the country's foreign trade. But the tempo of the resources to expand is a pointer that no serious fears need be entertained about their inadequacy for this task. The Bill Market scheme now offers a sufficient safety-valve for the seasonal expansion of credit and the recent rise of 4 per cent in the rate on advances under the scheme is in no sense to be interpreted as a policy for dearer money. It is actuated by different reasons. In the sphere of imports, however, the pressure for resources will be transferred in a full measure on the Indian money market, but expanding economic activity should be expected to provide a cushion for it. An increase in the Indian Bank Rate will be dictated only by the pressure of inflation or by a general scramble for deposits culminating in acute competition in rates of a runaway nature. Mr. Birla has confidence that appropriate action will be taken when such an emergency arises, but not before.

FORWARD TRADING IN PEPPER

ALTHOUGH BOMBAY pepper interests may feel disappointed at the selection of Cochin as the location for a futures market in pepper, there is no gainsaying the fact that from an overall point of view, it is a happy choice. For the production of pepper in India is practically concentrated in Kerala and the adjoining South Kanara district. Dealers and exporters of pepper of the southern region participate in futures trading as one of the regular mechanisms of trade, and such trading has been actively conducted in the past, though not with unqualified success. However, Cochin has four special advantages. First, pepper is essentially an export commodity and 72 per cent of the total shipments to foreign countries is made from Cochin; secondly, almost all the important non-Cochin pepper exporters (those of Alleppey and Bombay) have their offices at Cochin; thirdly, the offices of the Deputy Chief Controller of Exports and the Export Promotion Council for Pepper and Cashewnuts are located there and, finally, Cochin is a major port and affords facilities for quicker transport of the commodity all the year round.

India has been recognised as the original home of pepper. She had a flourishing export trade in pepper till the beginning of the nineteenth century, when large-scale production of this commodity was undertaken by Indonesia, Sarawak and Indo-China. Slowly and steadily, these countries captured the export trade from India and between 1800 and 1941, accounted for 80 per

cent of the world production and 98 per cent of the world trade. With the overrunning and occupation of these countries by Japan, India again became the sole supplier of pepper to the world until 1952, when, following the defeat of Japan, Indonesia and Sarawak re-entered the market. Production in these countries has been on the increase ever since, and India is now contributing only about 40 per cent to world output.

During the pre-war years, pepper did not figure as a major item in India's export trade. During and since the war, however, there has been a steady increase in pepper exports with an all-time peak of 16,600 tons in 1947-48. The Korean stockpiling helped sustain the trend in 1950, 1951 and 1952, after which there was a slight fall. In spite of severe competition from Indonesia and Sarawak, India succeeded in maintaining her exports at 13,700 tons in 1954-55. More than 60 per cent of our pepper shipments go to the USA, the other important buyers being the USSR, Canada and the UK. The value of pepper exports advanced from Rs. 3 lakhs in 1938-39 to Rs. 23 crores in 1951-52, nearly two-thirds of which was earned in dollars. Due to the fall in price, the value of exports declined subsequently to Rs. 16 crores in 1952-53 and to Rs. 6.9 crores in 1954-55.

It may be remembered that the Spices Enquiry Committee had recommended official regulation of trading in pepper, it being a commodity which lends itself easily to a good deal of speculation. The exporters have also urged the establishment of a well-organised futures market. In the absence of such a market, shippers do not find it possible to cover their export risks and have perforce to limit their forward deals. The resumption of a futures market will also help the wholesalers, who act as intermediaries between the growers and the exporters. A regulated market will, above all, discourage illegal trading, which is reported to be rampant under the guise of non-transferable specific delivery contracts.

THE CENTRAL BANK OF INDIA

THE CENTRAL BANK'S working results during 1955 show a substantial improvement in earnings which is in keeping with the general tenor. To mention some of the outstanding features, advances registered an increase of Rs. 12 crores and reached the figure of Rs. 72.20 crores at the year-end. Earnings by way of interest and discount went up appreciably, but of much greater importance was the more concrete improvement in commission, exchange and brokerage. This was due to the expanded exchange business and an appreciable part came from the devaluation of the Pakistani rupee. On the deposit side, the increase recorded was of the extent of Rs. 4.60 crores to Rs. 128.66 crores. It could have been higher but for the fact that the Board of Directors adhered to a bold policy of refusing to join the scramble for deposits at a high cost. In spite of higher earnings, and here again the general trend is confirmed, the net profit of the Bank did not rise correspondingly. It was maintained at the previous year's level. This was due to a steep increase of Rs. 23 lakhs in establishment charges which shot up to Rs. 2.60 crores. The ratio of establishment charges to total expenses last year jumped to 32 per cent. There is welcome assurance from the Board that every possible measure will be adopted to secure improvement through efficiency.

Sir Homi Mody's presidential address before the Bank's last annual meeting draws attention to an aspect of the second Five-Year Plan which is apt to be overlooked in the enthusiasm for the achievement of the socialist pattern of society. Sir Homi has pointed out that while the shares of the public sector and the private sector in investment in the first Plan were equally distributed, the second Plan makes a lop-sided allocation of 62 per cent and 38 per cent respectively. He regrets, and with perfectly sound reason, that the

rich and tried experience of the private sector in business management is not being utilised in the national endeavour to the full extent of its potentialities. On the other hand, it is to be seriously doubted whether the enormous burden on administrative and managerial abilities of the public sector has not been severely under-estimated.

FREEZING OF MILL CLOTH PRODUCTION

THOSE WHO are entitled to speak with clear objectivity and authority on the subject have uttered a word of grave caution against the contemplated policy of the second Five-Year Plan to freeze mill cloth production at the present level of 5,000 million yards. Actually the output in 1955 was a little higher by 94 million yards above this figure. Mr. R. E. Castell, Chairman of the Buckingham and Carnatic Co., Ltd., has lent his weight to this small band of experts. He challenges the adequacy of the assumed per capita consumption of cloth at 16 yards and emphasises that higher money incomes cannot fail to make their impact upon a basic item of consumption like cloth.

Apart from this under-estimate, he points out that the allocation of 3,200 million yards to handloom-cum-powerloom production in a total of 8,200 million yards can be regarded as practicable only with an extreme degree of credulity. This target represents a hundred per cent increase in the handloom-cum-powerloom sector. Even when given the incentives and encouragement to the extent that the Government can, the organisational and distributive problems will be certainly unmanageable for the present structure of this sector. Consequent shortage of cloth and an inflationary rise in prices threaten to be real risks in this planning. Mr. Castell points out from the war-time experience that an eleventh-hour effort to increase production by resort to the third shift in the mills will not be feasible as it appears on a superficial consideration. Machinery, labour and quality all suffer in the third shift working. A realistic policy must take cognizance of probable cloth shortage and it must also realize that expansion can hardly be planned and achieved promptly at short notice.

POLYCHEM, LIMITED

POLYCHEM, LIMITED, who were incorporated as a company on the 24th October, 1955, are approaching the capital market for subscriptions to their issue of share capital. As the name indicates sufficiently, the principal object of the company is to carry on the business of manufacturers and dealers in chemical products of any description and also to carry on the business in the same capacities in styrene, polystyrene and other goods. The authorised capital of the company is Rs. 1.50 crores divided as follows: (1) 80,000 Redeemable 7½ per cent (taxable) Cumulative First Preference Shares of Rs. 50 each. (2) 80,000 Ordinary Shares of Rs. 50 each and (3) 1,40,000 unclassified Shares of Rs. 50 each. The issued capital will be Rs. 80 lakhs divided into: 80,000 Redeemable 7½ per cent (taxable) Cumulative First Preference Shares of Rs. 50 each of the total value of Rs. 40 lakhs and 80,000 Ordinary Shares of Rs. 50 each of the total value of Rs. 40 lakhs. Out of this issue, the promoters, Messrs. Kilachand Devchand & Company, Limited, the Directors of the Company and their friends including Dow Chemical Company of Midland in the State of Michigan, USA, have agreed to subscribe for ordinary shares of the nominal value of Rs. 20 lakhs which will be allotted to them. The balance of the issued capital consisting of preference shares of the value of Rs. 40 lakhs and ordinary shares of the value of Rs. 20 lakhs are offered to the public for subscription at par. The subscription list will remain open from 31st March, 1956 to 12th April, 1956 both days inclusive. It may be closed earlier but not before 6th April, 1956, at the discretion of the Directors.

Company Meeting

THE UNITED COMMERCIAL BANK LIMITED

Statement of Shri G. D. Birla, Chairman of The United Commercial Bank Ltd., circulated to the Shareholders at the Thirteenth Ordinary General Meeting of the Bank held on 28th March, 1956.

Gentlemen,

Before I proceed with the ordinary business of this Thirteenth Annual General Meeting of the bank, I should like to refer with great sorrow to the loss sustained by the bank in the premature death, in August 1955, of Mr. Navinchandra Mafatlal, who was a Director since its inception and had contributed greatly to its growth. He was a staunch friend of the bank and was held in the highest personal esteem by us all who miss his genial presence and wise guidance. The sorrow is tempered by the fact that his son has joined our Board and the connection of the bank with the House of Mafatlal will continue unbroken.

I have also to report to you the resignation from the Board, on his appointment as a Director of the State Bank of India, of Mr. R. G. Saraiya, who as a Vice-Chairman guided the affairs of the bank, particularly in Bombay, since its inception.

In the vacancies which had arisen in the Board the Directors have appointed Mr. Yogindra N. Mafatlal, Mr. G. D. Kothari and Mr. T. S. Rajam. I am glad to welcome them on your behalf and I am confident that the bank will benefit greatly by their wide experience in their respective spheres of industry and trade.

Reference has been made in the Directors' Report to the changes which took place last year in the general management of the bank. Mr. B. T. Thakur who was the General Manager of the bank since its inception resigned on grounds of health, from the chief executive charge of the bank in April 1955, and has gone on leave preparatory to retirement. I take advantage of this occasion to pay a tribute, on your behalf, to the ability and zeal with which he had served the bank during his period of office and built it up to its present position as one of the leading banks of the country, and to place on record our high appreciation of his valuable services.

Mr. S. T. Sadasivan has been appointed to succeed Mr. B. T. Thakur, as General Manager and I extend to him our good wishes for success during his period of office. Mr. Sadasivan was the Dy. General Manager of the bank since 1945 and has also acted as General Manager. I have every confidence that the progress of the bank will continue with great vigour under his zealous care and able guidance.

I also take this opportunity to thank the members of the staff in India and abroad for their devoted service to the bank and for their valuable contribution to the satisfactory results achieved during the past year.

I now turn to the ordinary business of the meeting. The Balance Sheet and the Profit and Loss Account have been in your hands for some time and they bear testimony to the continued improvement of the bank's business in the past year.

Bank's Business

DEPOSITS

You will notice that the total of the current, savings and fixed deposits and other accounts at the end of 1955 stood at Rs. 47.69 crores as compared with Rs. 40.42 crores at the end of 1954. The increase in deposits of Rs. 7.27 crores represents a rise of 17.9 per cent which is a much higher rate of increase than 7.1 per cent recorded in 1954 and is higher than the rise of 9.7 per cent in the deposits of scheduled banks as a whole. The rise in deposits, which is common to all banks, should be attributed to higher production and an expanding economy which are the results of successful implementation of the first Five-Year Plan.

CASH

Cash on hand, balances with banks and money at call and short notice accounted for Rs. 6.21 crores and represented 13.02 per cent of our total deposit liabilities.

INVESTMENTS

The investments of the bank in Government and other approved securities stood at Rs. 22.17 crores showing a rise of Rs. 5 crores as compared with the figure at the end of 1954. The bulk of the increase in deposits has thus gone into Government Securities. During the year, as a result of the nationalisation of the Imperial Bank of India, we received compensation for our holding of shares in the Imperial Bank of India in the form of Government Securities. We have, however, made a fresh investment of Rs. 23,93,200 in the shares of the Industrial Credit and Investment Corporation of India Ltd., which was incorporated in the beginning of last year with the assistance of the Government of India by way of interest free advance, for the purpose of carrying on the business of assisting industrial enterprises in the private sector of industry in India by providing finance in the form of long and medium term loans or equity participation and for sponsoring and underwriting new issues of shares and securities. The ratio of our investments to our deposits, after deducting the amounts borrowed thereagainst is 37.60 per cent as compared with 33.6 per cent at the end of 1954. Cash resources and unencumbered investments together amount in the aggregate to Rs. 24.14 crores, giving a liquidity ratio of 50.62 per cent to total deposits. The bank's investments are shown in the balance sheet, in accordance with our usual practice, at below the prevailing market rates.

BILLS

The amount of bills discounted and purchased has increased during the year from Rs. 8.57 crores to Rs. 9.74 crores. You will be gratified to note that this self-liquidating asset forms 20.42 per cent of the deposits of the bank.

LIQUIDITY RATIO

The total of our most liquid assets—cash on hand and with banks, money at call and short notice, unencumbered investments and bills—represents 71.04 per cent of our deposit liabilities. This is a very high liquidity ratio and enables us comfortably to expand credit during the busy season.

FOREIGN EXCHANGE BUSINESS

Our foreign exchange business continues to improve. It forms an important part of our banking operations and the turnover in this department has increased during the past year as a result of the rise in the value of the foreign trade of India and the neighbouring countries. We are constantly expanding the network of our foreign correspondents and overseas connections in order always to be ready to handle any business that might be offered to us.

ADVANCES

Our advances showed a moderate increase from Rs. 16.07 crores to Rs. 17.85 crores. This gives a ratio of 37.43 per cent to our deposits against 50.58 per cent for the banking system as a whole.

BANK'S PROPERTY ACCOUNT

The additions to the bank's property account during the year were Rs. 10.03 lakhs. This is due to the purchase of the premises of the Banque de L'Indochine at Pondicherry in connection with the acquisition of their business and to the construction of our own premises at Parliament Street, New Delhi. We hope shortly to commence the construction of the Head Office building at Calcutta at the site which we have acquired for this purpose at the corner of Brabourne Road and Royal Exchange Place Extension.

PROFIT AND LOSS ACCOUNT

Turning to the Profit and Loss Account you will notice with satisfaction that the profit for the year 1955 is Rs. 36.69 lakhs as compared with Rs. 31.06 lakhs for the year 1954. This satisfactory result has been achieved in spite of heavy increase in expenses and in interest paid on deposits. As stated in the Directors' Report the total profit including the sum of Rs. 1,08,724-8-9 brought forward from 1954 accounts is Rs. 37,77,761-2-0. Out of this amount the Directors have already transferred Rs. 8.50 lakhs to the Reserve Fund which now stands at Rs. 95 lakhs and have made a provision of Rs. 14 lakhs for taxation and Rs. 4 lakhs for bonus to staff, leaving a balance of Rs. 11,27,761-2-0. In view of the improved working results the Directors feel justified in recommending a slight increase in the dividend from 5 per cent paid last year to 5½ per cent per annum, free of income-tax.

THE BANK AWARD

Since we met last, the Bank Award Commission which was appointed by the Government of India to go further into the dispute between banks and their employees in the matter of salaries, dearness allowance etc., gave its decision which the Government of India accepted in toto. By its decision, the Commission restored with slight alterations the Award of the Labour Appellate Tribunal which the Government had previously modified. It also decided that no employee

should be asked to refund any excess paid to him under the then existing scheme over what he would be entitled to under its Award. In order to lighten the burden on banks imposed by the higher salaries and allowances recommended, the Award permitted banks to pay the employees any arrears that may be due to them in three instalments. Favourable to the employees as such recommendations were, the banks went further and waived their right to pay the arrears in three instalments and paid the entire amount due to each employee in one lump sum. The banks also waived their right to recover the excess dearness allowance paid during the period July to November 1955. Notwithstanding such generous concessions the employees were not satisfied, instead they carried on an agitation culminating in the refusal to work overtime for the purpose of the annual closing of accounts which was consequently delayed and also finally resorted to a two days' strike in January this year. It is extremely regrettable that they should adopt such an attitude and go on a strike which was clearly illegal. It is to be hoped that the employees will take the provisions of the Industrial Disputes (Banking Companies) Decision Act as final and devote themselves to strenuous and harmonious work in close co-operation with the management. Needless to say, such co-operation will naturally produce better working results for the bank which, in turn, will enable the management further to improve the conditions of service of the employees.

BANK RATE

The Bank Rate in India remained unchanged at 3½ per cent throughout the year 1955 though the Bank of England rate was raised from 3 to 3½ per cent on the 27th January, 1955 and again to 4½ per cent on the 24th February, 1955. Notwithstanding the fact that the year 1955 saw an upward revision of bank rates in varying degrees in different parts of the world, it is a matter of gratification that the bank rate in India remained unchanged and adequate finance could be secured by commerce and industry on the basis of 3½ per cent official bank rate. The increase in the Bank of England rate on the 16th February, 1956 from 4½ per cent to 5½ per cent has raised the question whether it will be necessary or desirable to effect any change in the Indian Bank rate.

On a superficial assessment of the situation it would appear that the Indian Bank rate is unrealistic in the light of the competition for deposits which has carried the deposit rate almost to the level of the official bank rate, but there has never been any integration with the official rate of the various interest rates quoted in the market and the money rates prevailing in the bazar have never had any relation to the official bank rate. The impact of the rise in the Bank of England rate has so far been confined to a rise in the deposit rate and a sporadic increase in the rate of interest charged by some banks on certain classes of advances but has had no significant influence otherwise.

The problems facing India are wholly different from those of the United Kingdom and the prevalence of unemployment and the existence of a steady level of prices which have characterised Indian economy are in sharp variance with overemployment and inflation which are the features of British economy. We are now engaged in bringing into fruition a planned economy which has for its objects increased production, increased national income, the provision of employment on a large scale and the maintenance of stable economic conditions. In the financial sphere the operation of the first Five-Year Plan has resulted in increased bank deposits, a larger note circulation and enhanced bank advances without any appreciable increase in commodity prices of the

cost of living. This was because increased money supply has been matched by increased production.

One result, however, of the rise in the Bank of England rate is that more and more of the foreign trade of India will have to be financed out of Indian resources. But these resources are expanding and the stage has not yet been reached when they may be said to be inadequate. The bill market scheme inaugurated by the Reserve Bank of India in 1952 is a sufficient guarantee that seasonal expansion of credit could be effected without a change in the bank rate, and the recent announcement of the Reserve Bank of India that advances under the scheme will be made at 3½ per cent interest instead of at 3 per cent as hitherto is not to be interpreted as a measure of dearer money. Moreover, the export trade is financed on the basis of the higher money rates prevailing in London through an adjustment of the exchange rates applicable to usance bills and in an emergency the bills could be rediscounted in the London market. It is only in the case of imports that the pressure for finance will be squarely transferred to the Indian money market but the expansion of resources resulting from the operation of the second Five-Year Plan appear to be adequate to take care of such increased responsibility as might devolve on the Indian money market.

It is necessary for the success of the borrowing programmes associated with the second Five-Year Plan that stable and healthy conditions should be maintained in the money and gilt-edged markets and the continuance of the Indian bank rate unchanged at its present level is a necessary condition for the fulfilment of our development plans. From this point of view it is regrettable that the authorities have allowed the price of 3 per cent Conversion Loan to go below Rs. 80. A little support to this loan will inspire confidence in the stability of the gilt-edged market.

The question of an upward revision of the bank rate will arise in the event of the spectre of inflation raising its head or the scramble for deposits developing to the extent of a run-away rise in deposit rate to a level higher than the bank rate. The authorities will, no doubt, keep a close watch on the situation and act without hesitation when the contingency arises.

Before proceeding to review the economic conditions in India, I shall briefly comment on the conditions prevailing in the countries where we have branches.

BURMA

At the beginning of the year, Burma was faced with the problem of rapidly dwindling balance in Foreign Exchange. As a corrective measure the Government imposed a 50 per cent moratorium on all outstanding import licences in March 1955, and this action was followed by the complete suspension of the Open General Licence. This had the inevitable repercussions on business and commerce. The prices of imported consumer goods such as textiles, toilet requisites, tinned provisions, etc., shot up to a very great extent. As a result of these corrective measures, the position improved somewhat in the latter part of the year and since then the Government has been issuing a few licences for import, mostly from countries like China, Hungary, Yugoslavia, and U.S.S.R. with whom agreements for payment on barter basis have been concluded. As a result of these and of severe restriction on private remittances, the shrinkage of foreign holdings of the Union Bank has been arrested and a moderate improvement has set in. The Government's policy in recent months has shown a tendency towards the scaling down

of capital expenditure which is not considered as wholly essential or immediately productive.

During the year the Government of India granted a loan of Rs. 20 crores to Burma to assist her in financing her development plans. The loan is repayable in half-yearly instalments of Rs. 2.5 crores beginning from March 1959. The rate of interest on the loan is 4 per cent.

The prospects of Burma's most important export crop — rice — seem to be bright this year. It is reported that out of an exportable surplus of about 1.5 million tons, agreements have been practically concluded for disposal of very nearly the entire quantity.

MALAYA

The total value of Malayan trade last year was ST\$7,977.1 million — a rise of 27.61 per cent over 1954. With imports at ST\$3,819.4 million and exports at ST\$4,157.7 million, the adverse balance of trade of 1954 was turned into a favourable balance of ST\$338.3 million. This improvement was largely due to better prices of tin and rubber. The exports of these commodities registered a rise of 8 per cent and 1 per cent respectively. Rubber production was highest since 1950 at 637,463 tons and the average price during the year was \$1.14 per lb. as against the average of 67 cents during the previous year. Tin production at 61,244 tons was in fact a post-war record and the average price during the year was ST\$365.50 per picul compared to the average of \$353.59 in the previous year. As a result of improved trade with Indonesia, the conditions in the textile market showed signs of improvement. On the whole the year 1955 can be considered as the second best year, the best so far being 1952.

The Colony of Singapore and the Federated States of Malaya had their first measure of self-Government when the General Elections were held. The general conditions in Malaya were still disturbed and the "Amnesty" proposals made by the Government were unsuccessful. There were also signs of industrial unrest resulting in a number of strikes in industrial organisations, rubber mills, transport etc.

The prospects for 1956 would be bright if the prices of Rubber and Tin are sustained even at their present levels.

HONG KONG

The industrial production of the Colony continued to rise and the number of registered factories as well as the number of workers employed showed an appreciable improvement over the previous year. This has enabled Hong Kong to stabilise her economic position and to a certain extent has made up for the loss of her trade with China after the Embargo. The Colony was able to compete with certain amount of success with the industrialised countries in finding markets for its industrial products in South-East Asia, U.K. and other British Colonies. The export of industrial products registered an increase of HK\$48 million—an increase of nearly 7 per cent over the last year's exports.

A significant feature of last year was the continued influx of a very large amount of Chinese capital into the Colony from countries in South-East Asia. As a result of this boom conditions were prevalent on the Stock Exchange and in Real Estate markets.

PAKISTAN

Our next door neighbour, Pakistan, continued during the year to show resilience and progress. The important development on the economic side was the

devaluation of Pakistan Rupee. The Pakistan Rupee which had a higher value than its Indian counterpart since September 1949 was brought on a par in July 1955. The need for obtaining capital goods from abroad and the peculiarly monopolistic nature of the country's export goods combined to stave off devaluation. These two factors, however, could no longer continue to support the artificially inflated Rupee.

The economic progress as a whole was maintained. The trade position also showed an improvement. Exports rose from 190.5 million Rupees to 371.1 million Rupees, during the three months August-October 1955 and instead of trade deficit on private account of 53.5 million Rupees there was a surplus of 131.5 million Rupees. During the year an Agreement was also signed between the United States of America and Pakistan providing the use of 20 million dollars of U.S. Assistance Fund for the improvement of Pakistan ports, highways, air-bases etc. Industrial output also continues to rise and it is hoped that she could look forward with confidence to a year of good development.

On the political side a Constitution for the country has just been drawn up and Pakistan has been proclaimed as an Islamic Republic within the Commonwealth.

Economic Conditions in India

THE CAPITAL MARKET

During the year under review the Government of India floated a 3½ per cent 10 Year Loan at an issue price of Rs. 98.8 and secured Rs. 103.7 crores. Collections from Small Savings, to which more attention is now being devoted, yielded Rs. 65 crores. The previous year's experiment of floating a combined loan for the requirements both of the Central Government and the State Governments was scrapped and the States came out with their own loan issues—all 4 per cent loans maturing in 1967 but at different issue prices—and gathered in all Rs. 47.50 crores. The expansion of treasury bills—the measure of deficit financing—is expected to be Rs. 240 crores.

The Industrial Credit and Investment Corporation of India Ltd. issued its share capital of Rs. 5 crores of which Rs. 3½ crores were privately placed and Rs. 1½ crores were successfully offered for public subscription. Two big debenture issues and quite a number of preference and ordinary shares flotations met with satisfactory response. Altogether the capital market had an active and successful year.

During the year State Financial Corporations were floated in Madhya Bharat, Andhra, Uttar Pradesh and Rajasthan.

FOREIGN TRADE AND BALANCE OF PAYMENTS

The foreign trade of India during 1955 registered a significant growth both in exports and imports and the visible trade deficit has been reduced. The relative figures are as follows:

Foreign Trade—January-November

	1953	1954	1955
Exports	477.84	499.90	539.85
Imports	530.13	559.29	577.47
Balance	-52.29	-59.39	-37.62

Import policy is now designed to allow an increase in import of industrial raw materials and capital goods while extending further the principle of protection to Indian industry. The large internal demand for steel has necessitated its import from wherever it is available but the loss of foreign exchange has been offset by the cessation of imports of food grains and sugar and the saving of exchange arising from the import of crude mineral oil in place of refined petroleum products. Imports of chemicals, drugs, electrical goods, newsprint and rayon have remained steady, while imports of iron and steel, non-ferrous metals, vehicles and wagons have begun to show a rising trend. The growth of Indian industry is making itself felt in the pattern of our import trade.

In exports most of the major commodities with the significant exception of tea, have been doing well. Exports of jute manufactures showed expansion.

The Jute Industry's success last year is attributed partly to the Government's prompt abolition of the export duty on jute goods in the wake of the devaluation of the Pakistan Rupee. The prices of Indian jute goods, thus lowered, enabled the industry to compete on better terms with Pakistan and other jute manufacturing countries. Exports of cotton textiles in 1955 were slightly lower than in 1954 and may again decline in 1956 due to the growth in domestic demand. The decline in export earnings on this account has been more than made good by the large increase in exports of raw cotton so that the total value of raw cotton and textiles amounted in the eight months April-November 1955 to Rs. 67 crores as compared with Rs. 55 crores in the corresponding period of 1954.

The continued weakness of the tea market is an adverse factor likely to offset the increased export earnings in 1956 from other commodities.

With reference to our export trade the emphasis has shifted in recent years from sending raw materials to sending manufactured goods abroad. The rapid pace of industrialisation has enabled some of our industries to produce manufactured goods which can find an outlet into the world market on a competitive basis both as regards quality and price. On the export side all restrictions which were necessary in earlier years have been removed as a result of the improvement in the internal supply position. In fact, except for a few isolated commodities, exports of most major items are being allowed without any control. About 80 to 85 per cent of the country's export is today free from control.

In order to secure adequate foreign exchange resources for the second Five-Year Plan efforts have to be made to stimulate exports and the recent announcement of the Commerce Ministry on this subject gives hopes of considerable development in this field in the near future. The Ministry is thus anxious to canalise all measures of rationalisation so that foreign trade can be regulated properly. Similarly the Government of India is taking all possible steps through Export Promotion Councils to promote exports of cotton textiles, silk piecegoods, engineering goods, plastic manufactures, cashew and pepper. With adequate financial assistance these bodies would be able not only to help the normal flow of export trade but will also conduct research, propaganda and publicity in foreign markets. Export Credit Guarantee Scheme is sure to give added confidence.

During the first nine months of 1955 trade with the Dollar area resulted in a surplus of Rs. 31 crores against a deficit of Rs. 3 crores in the corresponding period of 1954. By reason of this satisfactory position, the outstanding loan from the International Monetary Fund

was repaid to the extent of Rs. 19.3 crores, leaving only a small balance of Rs. 6 crores still due to the Fund at the end of 1955. The country's net balance of payments on current account for the same period showed a surplus of Rs. 25 crores and the year as a whole is expected to show a surplus of about Rs. 35 crores as compared with a deficit of Rs. 4 crores in the previous year.

AGRICULTURAL PRODUCTION

Progress in the field of agricultural production was satisfactory. The output of foodgrains during the year amounted to 65.8 million tons, which, though a little lower than the previous year, was yet in excess of the Plan target by just over four million tons as a result of implementation of irrigation and power projects in the first Five-Year Plan, now drawing to a close. By the end of 1954-55, fresh irrigation facilities and increased water supplies were provided to over four million acres of virgin and irrigated soil. The easy supply position of foodgrains enabled the Government to remove the last remnant of control on foodgrains.

The production of commercial crops showed further improvement during the current year. Oilseeds output at 5.9 million tons and raw cotton at 4.3 million bales have exceeded their targets under the first Five-Year Plan by four lakh tons and about one lakh bales respectively. The production of sugar touched the record level of 15.9 lakh tons as compared to 10.01 lakh tons in 1953-54, while that of jute which remained depressed during the last two years has shown a significant increase of about 12 lakh bales during the 1955-56 season as compared to the last.

The general crop prospects for 1955-56 are considered to be satisfactory. They would have been better still but for the calamitous floods in the North and the devastating cyclones in the South that occurred during the year.

INDUSTRIAL PRODUCTION

Industrial production has made commendable progress during the year under review. The upward trend in industrial production persisted through 1955. A revised index of industrial production is now available. According to this series the index of industrial production (Base: 1951=100) for the first ten months of 1955 works out at 125.7 as against 112.9 for the whole of 1954. This represents an increase of over 11 per cent over the preceding year. This increase in production was shared by almost all the major industries. The output of finished steel at 1.26 million tons was higher than the record achieved in 1954. The production of mill made cloth at 5,087 million yards in 1955 was 89 million yards higher than the production of 1954 and exceeded the target fixed under the first Five-Year Plan by 387 million yards. Cement production during the year reached 4.5 million tons. In jute, chemicals and paper too the performances were very high. Considerable strides have also been made by the engineering industry. Licences for manufacturing jute mill machinery have been given. Progress in the modernization of jute mills has already been made.

Further in terms of expenditure, the position in respect of the centrally financed multi-purpose projects—The Damodar Valley Corporation, Bhakra Nangal, Hirakud and Harike—is that, against a provision of Rs. 224 crores, about Rs. 238 crores will be spent by the end of the Plan period. In regard to State projects, the outlay will be Rs. 352 crores against the Plan figure of Rs. 378 crores. Against a provision of Rs. 30 crores, a total of Rs. 20.8 crores has so far been spent on the new

projects undertaken during the last two years of the Plan—Kosi, Koyna, Chumbal, Rihand, and Nagarjuna-sagar.

Second Five-Year Plan

It is some time now since the draft outline of the second Five-Year Plan has been published; the total amount of expenditure envisaged, the departmental allocations, the State-wise distributions, the various targets aimed at, etc., have now been so widely publicised that it is hardly necessary to repeat them here. But the lapse of time has also enabled us to get over our first emotional enthusiasm and to take an objective and dispassionate view of the Plan.

The Plan has been variously criticised as either too optimistic or too ambitious. There is nothing wrong about being too ambitious. In the present condition of India to aspire a progress at as quick a pace as possible cannot but be a laudable object. But to be too optimistic is certainly a danger if in that mood, we ignore realities and base our hopes on mistaken calculations and emotional approaches. Failure to reach the goal would mean disaster of the severest kind and, therefore, to shut our eyes to the realities and create difficulties by our own actions would be, to put it at the mildest, a first-rate blunder.

In the first place I wish to emphasise that higher employment, though a very desirable objective, cannot be as important as creation of greater wealth. It may sound a little unorthodox, but I wish it to be realised that increased employment cannot in all cases result in greater prosperity. Only such employment as is highly productive can create prosperity. On the other hand prosperity can definitely be a precursor to greater employment. A highly productive employment alone can create prosperity, and once we have the effective means, we can create all kinds of employment. The main problem, therefore, is not so much to create any kind of employment as to create such employment as would yield higher production and greater wealth. With wealth a large number of tertiary employment would grow automatically. Higher production is thus the objective which really matters.

Judging from this angle, Ambar Charkha is not the answer to the problem. It has a place, no doubt, provided it is proved that the most efficient methods of production within our resources are already fully utilised and the only resources, potential or otherwise, left for us is the utilisation of Ambar Charkha in which case it functions in a supplementary capacity. Since this is not the position, Ambar Charkha is likely to obstruct rather than pave the path to progress, if by progress we mean higher standard of living. This stark reality, if fully realised, should stop us from toying with ideas likely to take us on a backward march. If Ambar Charkha could have solved our problems, it would have done so centuries before.

Again, the relative treatment accorded to cottage industries 'vis-a-vis' the factories seems to be based on fallacious grounds. There would be no conflict between the two if they could be supplementary to each other. Cottage industries can only follow the large scale industries and not 'vice-versa'. If one plans that the large-scale industry shall follow the cottage industry, then one might as well plan that Railways shall progress only through the bullock cart. The fact of the matter is that more bullock carts will be in the streets to feed Railways if the latter expand. Paradoxical as it may sound, Railways alone can support more bullock carts. In more economically advanced countries cottage industries play a much bigger role than in India

because there is such a great task for them for feeding the large-scale units.

REAL DIFFICULTIES

The real difficulties that must be faced and solved if the Plan is to be successfully implemented are:

1. Inadequacy of internal resources;
2. Inadequacy of foreign exchange;
3. Inadequacy of technical personnel;
4. Inability of transport systems to keep pace with the development in other fields; and,
5. Rigidity of Government machinery.

AVAILABILITY OF INTERNAL RESOURCES

How is the money to be invested in the public sector to be raised? The means suggested are: additional taxation, loans, small savings and deficit financing. I wonder whether it is fully realised that additional taxation, savings and loans come into play only after production and wealth have increased and cannot precede them. We have to begin with deficit finance. The criterion of its success would be that by raising the purchasing power of the people we create greater demand for goods which stimulates higher production. If higher production of goods is suppressed, then what follows is inflation and failure. In other words, we should rely on much larger production of essential goods to absorb the newly created purchasing power that would come into being through deficit financing. This is one aspect of the question. The other aspect is that if we begin with additional taxation and compulsory savings, then we fail to create the new purchasing power which is expected to create increased demand for goods. The resultant decrease in consumption would lead to lower production and to decrease of employment and of wealth. These two aspects must be kept in mind.

From the way in which the Budget is planned, it looks as if it is believed that taxes and savings could precede increased wealth and that savings could take place before earnings materialise. If a house is taxed before it is built, the result would be that no house would be built to pay the tax. To appreciate this sequence is very important. In a car the brake is as useful as the accelerator. But one does not start the car with a brake. The brake is useful only after the car is started. If you tax a person and compel him to save before increasing his earnings you, in reality, restrict his consumption and give a set-back to production, which is obviously not the goal in view.

AVAILABILITY OF FOREIGN EXCHANGE

Whatever may be the method of estimating our requirements of foreign exchange, I personally feel we shall need anything like Rs. 1,600 to Rs. 2,000 crores.

Even accepting the figure of Rs. 1,600 crores as correct, it might be difficult to get all this amount. Sterling balances Rs. 350 crores, trade surplus Rs. 300 crores on the basis of Rs. 60 crores per year (this assumption is justified by cessation of food imports) and invisible exports Rs. 150 crores make up Rs. 800 crores leaving Rs. 800 crores still to be found.

Of this amount, Government expects to raise Rs. 400 crores by way of foreign aid; but total American aid to India from July 1955 to June 1956 is \$50 million, i.e., Rs. 25 crores. On this scale foreign aid will amount only to Rs. 125 crores in five years.

I fear the seriousness of the paucity of foreign exchange is not fully realised. With proper efforts foreign exchange should be available. And we have to work for it. But the Planning Commission seems to have under-estimated its importance and has abruptly ended the chapter after pointing out that there is a gap of Rs. 800 crores. I fear the gap would be much more, but even if we accept the figure of Rs. 800 crores, its direct effect would be on the productive industries and transport leading again to less wealth and less employment.

AVAILABILITY OF TECHNICAL PERSONNEL

The dearth of technical personnel is admitted on all hands. It is one of the main reasons for the country's inability to make spectacular headway. State-owned steel plants alone require 5000 engineers and 10,000 skilled personnel. This shortage of technical personnel will be a serious handicap in the working of the Plan.

The private sector today can command a large number of technically qualified experts. In its search for technical talent, it has gone far and wide and has, with great difficulty, built up at least a nucleus of expert administrators. The public sector has nothing like this and has to start the training of its staff right from A.B.C. But if we talk in terms of austerity for the technicians, then neither the public nor the private sector will have enough technical knowledge at its disposal. We should not restrict the incentives that go to stimulate technical education and knowledge.

AVAILABILITY OF TRANSPORT

Under transport, specially with reference to rail ways, the allotment in the second Five-Year Plan has been cut down very substantially. If the railways do not bear the strain that is proposed to be put on them, the whole edifice of the Plan will collapse.

RIGIDITY IN GOVERNMENT MACHINERY

Experience has shown us again and again that Government machinery is dilatory, hide-bound by rules and unaccustomed to take quick decisions. While this machinery is eminently qualified to deal with long-range questions of policy, it can hardly meet the needs of day to day industrial expansion when rapid decisions are necessary. A thorough overhaul is needed.

I have mentioned all these difficulties not that they cannot be solved—but that they must be solved. I fail to see any sign of awareness on the part of the authorities of these hurdles and, therefore, I give expression to my misgivings. What I have said is not by way of criticism. We need to make the Plan a success. But we cannot do so by minimising or under-estimating the difficulties and by starting in a complacent mood. Forewarned is fore-armed and what I have suggested is a constructive note of caution in order that we may meet difficulties squarely in the face and solve them and not create more difficulties by our own actions. We have enough troubles on our hand to engage our thoughts and energies, and it would be unwise to create avoidable problems.

Company Meeting

THE BUCKINGHAM & CARNATIC CO. LTD.

Presiding at the Thirty-fifth Annual General Meeting of the Shareholders held at the Company's Office, 7 Armenian Street, Madras, on Friday, 23rd March 1956, Mr. R. E. Castell said:

Gentlemen,

The Report of the Directors and the Accounts for the year ended 31st December, 1955 having been in your hands for some time I propose with your permission to take them as read, but I will be glad to answer questions later.

Your Company has closed another successful trading year and I am glad to report that a useful increase in the production of yarn and cloth has contributed towards this result. This increase in production arises from the further progress made with the Company's rehabilitation programme and the continuing efforts to improve efficiency in all processes.

The position remains unchanged to the extent that your Company cannot expand its manufacturing installation because of the regulations affecting the cotton textile industry. I feel it is my duty to add my voice to the warnings so often uttered lately by other representatives of the industry about the danger of continuing to limit mill cloth production to the present level which is about 5,000 million yards, it was in fact 5,094 million yards in 1955. Government estimates that by the end of the second Five-Year Plan in 1960, 7,200 million yards of cloth will be needed to provide for 400 million people at the rate of 18 yards per capita, in addition to which it is hoped to produce 1,000 million yards annually for export. Of the total target production of 8,200 million yards, 3,200 million is planned for the handloom-cum-powerloom sector: this is almost double the present output from handlooms and powerlooms and it is open to serious doubt whether anything like such an increase can be achieved.

I might add that the estimated consumption of 18 yards per capita may well prove to be inadequate in view of the plans which are in train for India's further agricultural and industrial development, and the reasonable expectation that the per capita income will materially improve.

I earnestly hope, and I am sure that you will join me in this, that Government will soon revise its present policy of limiting the production of the mill industry and so guard against a shortage of cloth and its consequent inflationary results and probable counter-measures in the form of controls which, as past experience has shown, are costly and generally vexatious.

Whatever may be the true potentialities of the handloom industry and the powerlooms, including partial substitution of the latter for handlooms, I do think that Government would be well advised to examine the possibilities of considerably increasing the present production of mill cloth. In my view the increase which is desirable cannot be achieved substantially by the introduction of a third shift. Our own experience

during the last war definitely showed that in all processes but particularly weaving, the third shift is severe on machinery, discomforting to labour and harmful to quality. The need for a change of policy is urgent not only because signs of a cloth shortage are already apparent, but also because as time goes on, the difficulty of planning and executing any expansion promptly is bound to increase.

For the information of those of you who do not already know, I would mention that your Company operates an India-wide system of distribution of its cloth and its policy of controlling the selling prices of the mills' dealers continues. We often receive complaints from various parts of India that our cloth is not readily available, but that I can assure you is not the Company's fault. Apart from the statutory limitation of our capacity which we suffer along with the rest of the industry, we continue to fill two responsibilities which to us are traditional, the first being to supply large quantities of cloth to the Defence Services, and the second being to make our contribution towards India's export trade and her foreign exchange resources: we also supply increasingly large quantities of cloth for the needs of other Indian industries, particularly the coated abrasives industry. These responsibilities, although it is important in the national interest that we should continue to discharge them, handicap us in our effort to meet the needs of the general public. As I believe there are other mills in a somewhat similar position, here is an additional reason why Government, in the interest of the ordinary consumer, should encourage without delay an expansion of present mill cloth production by permitting the installation of more machinery.

In 1955 your Company exported nearly one-fourth of its total production of cloth. As you may know, there was a considerable shrinkage in the world trade in cotton textiles last year: India was not affected quite so much by this decline as the U.K. and Japan, but nevertheless her exports of Mill cloth fell from 898 million yards in 1954 to 816 million yards in 1955: exports of handloom cloth from India were also lower in 1955, being 55 million yards against 61 million yards in 1954. I do not feel hopeful about this shrinkage in the world trade in cotton goods being reversed since cotton-growing countries will undoubtedly continue to develop their own textile industries and competition from those countries foremost in the export field is likely to become keener than ever. In the past India's exports of cotton textiles have at times been restricted by controls and as a result some part of overseas demand has been permanently lost to her. I hope that no restrictions of any kind will ever be imposed again on exports of cotton textiles, but on the other hand, I hope that Government will do everything it reasonably can to encourage such exports. Here again is a strong reason for allowing the expansion of mills' productive capacity, as when cloth is not enough for domestic

needs, mills and traders will be less inclined to export, particularly when increasing competition overseas makes export less attractive. Even now your own Company and their representatives overseas have to exercise constant energy and vigilance, and prices have to be kept strictly competitive in order to maintain the mills' exports.

You will know that by the 1956 Finance Bill, the excise duties on all kinds of mill made cotton cloth (except coarse and medium dhoties) were increased by 6 pies per square yard. In spite of the current generally good demand for cloth I doubt if consumers' present purchasing power can absorb this increase in cost on all varieties, and to some extent it may have to be borne partly by the industry, at least for the time being.

Your Company's installation is so designed that in ordinary circumstances almost all its spinning production would be woven in its own looms, but in order to fulfil its obligations to Government and to assist the handloom industry, your mills have for some years by adjustment of their manufacturing programme contrived to supply fairly substantial quantities of yarn to the handlooms: in 1955 over 8,400 bales were supplied, this being more than one and a half times the previous year's supply.

I now propose to comment on the published accounts and draw your attention to the very considerable transfer from Capital Works in Progress to Machinery account due to the completion of the New Weaving Shed, the Power House and the progress made in the Machinery Replacement Programme.

You will notice that our current assets have been reduced when compared with the previous year by approximately Rs. 38,00,000 and this is mainly accounted for by the reductions in Stores and Stock in Trade of approximately Rs. 11,00,000 and Rs. 48,00,000 respectively, offset to the extent of Rs. 22,00,000 by an increase under the heading 'Book Debts'.

On the Liabilities side there is a reduction of Rs. 3,50,000 on our Debenture Debt, Rs. 27,00,000 in the overdraft from Bankers and Rs. 5,00,000 on Taxation account. There is also a reduction of approximately Rs. 24,00,000 in our Liability for Acceptances as, owing to the recent increase in the Bank rate in the United Kingdom, we have temporarily discontinued our practice of paying for the purchases made in that country by means of Exchange Bills. This last reduction, however, is offset to the extent of approximately Rs. 11,00,000 appearing under a new heading 'Loans Unsecured' and this has been lent to us by Binny & Co., Ltd., London, on favourable terms.

The Directors' Report has drawn your attention to the increase in sale proceeds of cloth, yarn and waste and I think the only other item calling for comment in the Profit and Loss Account is the increase in the depreciation charge resulting from new buildings and machinery brought into use during the year.

Section 23A applies to this Company for the financial years 1954 and 1955, but the dividends already respectively declared or proposed comply with the provisions of that Section in that they exceed 60 per cent of the assessable income less the tax thereon.

For the greater part of the year the difficult administrative problems referred to in my last speech on account of inter-State sales tax continued, but although some relief resulted from the Supreme Court's decision in September 1955 that the levy of this sales tax was ultra vires, additional problems arose from the many demands which were received from our customers for refund of the inter-State sales tax collected from them. We, in our turn, demanded refunds from the various State Governments and it was not until the Ordinance was issued in January 1956, legalising the levy and collection of inter-State sales tax from 1st April, 1951 to 6th September, 1955 that the position was clarified to some extent. There are, however, several important points still to be decided and I fear that it will be many months before the unhappy history of this unfortunate taxation measure, which has caused the business community so much harassment and expense, will be concluded.

The Mill Labour Advisory Organisation has continued to function in a most satisfactory manner, but this year I regret I cannot say that there has been no loss of production from stoppages of work by labour. In common with many other workers throughout India, our employees joined in the Hartal called in memory of those who lost their lives in the Goa incidents. They also participated in an unwarranted strike on the 24th November, 1955. The issues which were the pretext for this second stoppage will shortly be the subject of arbitration by the Hon. Mr. Justice Ramaswamy Gownder.

In November 1955 the Employees State Insurance Scheme was implemented in Madras City and its immediate effect in these Mills was a considerable increase in absenteeism. The position has lately improved somewhat but it is clear that absenteeism on account of sickness is likely to prevail in future to a greater extent than before the Act came into force.

Shareholders will be interested to know that at the request of the workers, Sunday 29th January, 1956 was treated as a normal working day and the wages earned by the workers for that day and the profit earned by the Company will be given to the Madras Cyclone Relief Fund. An advance payment of Rs. 50,000 has already been made.

It will also be of interest to you to learn that the liabilities of the Workpeoples' and Employees' Provident Funds, the accounts of which are now maintained by the Trustees, amounted at the 31st December 1955 to Rs. 1,31,87,122 and Rs. 14,48,932 respectively, and corresponding amounts have been invested in Trustee securities.

The lot of those concerned with the management and operation of industry in these days is by no means enviable. In addition to the complexities of recent legislation covering all aspects of their work, their is the burden of severe personal taxation and uncertainty about the future.

I hope you will gladly join with me in expressing appreciation of the cheerful and determined manner in which the executive and supervisory staff of the Management and the Mills have carried out their duties. I think we should be particularly grateful to the Manager and other Officers of the Mills who have worked so hard and intelligently in implementing the Company's aim to attain the maximum improvement in efficiency.

Company Meeting

THE CENTRAL BANK OF INDIA LIMITED

Speech delivered by Sir Homi Mody, Chairman, at the Forty-fifth Ordinary General Meeting of the Bank on Thursday the 29th March, 1956.

Ladies and Gentlemen,

In presenting the Directors' Report and Statement of Accounts for 1955, I would like to say a few words on some of the important developments in the country during the year. The volume of trade, both internal and external, and industrial and agricultural production, continued to rise, and if it had not been for some of the measures undertaken by Government to expand their sphere of operations and tighten their control over the Private Sector, economic activity might have shown a still greater buoyancy.

The growth of banking business during the year was very pronounced. In consequence of the impetus to production provided by increased public expenditure on development, the demand for bank credit showed a sharp rise and Advances made and Bills discounted by banks went up from Rs. 554 crores to Rs. 642 crores at the end of 1955. In relation to Deposits, the proportion of Advances and Bills which was already high increased to 62 per cent at the close of the year. Simultaneously, the ratio of cash in hand and balances with the Reserve Bank declined from 11 per cent to 9.5 per cent. All this activity is reflected in the amount of currency in circulation which went up by about Rs. 160 crores.

The expansion of economic activity which should result from the sharp increase in the tempo of investment under the second Five-Year Plan must create an enormous demand for bank credit, and if a profitable margin can be maintained between the rates of Deposits and of Advances and if establishment charges do not get out of hand, the future growth of banking would seem well assured.

The tremendous role which the second Five-Year Plan must play in the economy of the country cannot be exaggerated. The Commission has published its proposals in the form of a Draft Outline. According to it, the total investment during the period would be of the order of Rs. 6,100 crores, which is Rs. 500 crores higher than what was envisaged in the Plan Frame. The view that the size of the Plan should be curtailed in order to make it more realistic has not found favour with the Planning Commission. The pattern of investment has, however, undergone a slight change and larger amounts have been allocated to transport. Since the size of the Plan has been enlarged, the question of securing the resources needed for its fulfilment has naturally become more difficult. Even after estimating on a liberal scale the resources that could be obtained through taxation, borrowing, deficit financing and external assistance, the Planners have left a gap of Rs. 400 crores, which presumably will also have to be met from internal resources.

Though the investment in the second Five-Year Plan is to be much larger (Rs. 6,100 crores) than that in the first Plan (Rs. 3,500 crores), the share of the Private Sector has been greatly reduced. As against a

more or less even division under the first Plan, 62 per cent of the investment in the second Plan is to be in the Public Sector and 38 per cent in the Private Sector. The shift in emphasis on the development in the Public Sector becomes more significant when it is realised that the increase in investment from Rs. 1,700 crores in the first Plan to Rs. 3,800 crores in the second represents an increase of the order of 124 per cent in the Public Sector, as compared to an increase of only about 28 per cent in the Private Sector. In the interest of the Plan itself, a much larger scope should have been given to the Private Sector. The wide and varied experience which it possesses and the managerial personnel it commands should have been utilised to the fullest possible extent. With a much larger number of complicated schemes involving enormous amounts of capital investment, the administrative problems in the Public Sector are bound to present considerable difficulties and if they had been shared with the Private Sector to a greater extent, the successful implementation of the Plan would certainly have been more assured.

As things are, the Plan must involve enormous burden being placed upon the community; even so, through the over-emphasis it places on household goods industries, acute shortages of essential articles of consumption might come about, involving a risk of serious inflation which it would be difficult to control.

The Budget proposals for the year have to be viewed in the light of the needs of the Plan for additional resources by way of taxation. Between the Centre and the States, the figure laid down is Rs. 450 crores, and as it that was not sufficiently drastic, the Finance Minister has hinted at the possibility of raising another Rs. 200 crores to finance the heavy defence programme which the situation on our borders is deemed to have rendered necessary. In the face of all this, detailed criticism of particular aspects of the Budget proposals, however valid and relevant, is not likely to receive much attention, but it is necessary to state all the same that the process of disincentives has been carried several steps further, and the future can only be viewed with serious misgivings. There is, however, a ray of hope, and that is to be found in the assurance that has been given that our Planners contemplate periodic reviews of the situation with a view to making such adjustments as are found necessary, and if that happens, we should see a more realistic approach to the problems of our under-developed economy.

I shall now pass on to matters of more direct interest to the Shareholders and refer to some of the important features of the Statement of Accounts which has been presented to you.

The working results of the year showed substantially higher earnings, but the net profit has been about the same as that of the previous year. This is accounted for almost entirely by an increase of as much as Rs. 23 lakhs in our establishment charges which now stand at the huge figure of Rs. 2.60 crores. The effect

of this will become clearer if I point out that the ratio of Establishment charges to total expenses has gone up to over 82 per cent. Your Board is giving very close attention to this situation and is doing everything possible to retrieve it by effecting greater efficiency in working and by closing down unremunerative Branches, wherever that can be done without detriment to the Bank's business.

The improvement in earnings to which I have just referred was brought about largely through a more active pursuit of business possibilities. Our figure of Advances recorded an increase of over Rs. 12 crores and stood at Rs. 72.20 crores at the end of the year. The average during the year, it must be pointed out, was not as high—the bulk of the increase occurring during the last quarter of the year—but showed a definite improvement over the figures of the previous year. To enable us to cater to the growing needs of business, we had to resort to borrowing against our Securities and under the Bill Market scheme. In that connection, it is somewhat unfortunate that the Reserve Bank should have found it necessary to raise the rate of interest on Advances under the scheme from 3 per cent to 3½ per cent and, further, to discontinue the practice of sharing the cost of stamps.

On the income side, there has been an increase under the item of "Interest and Discount". There has also been a substantial improvement under the item of "Commission, Exchange and Brokerage"; apart from an expansion of our Exchange business, this result has been due to no small extent to the devaluation of the Pakistan currency.

Deposits of scheduled banks showed a marked increase during the year on account of the monetary conditions that prevailed. We have shared in the increase to the tune of Rs. 4.69 crores. Our deposit figure of Rs. 128.66 crores might easily have been larger had we participated in the growing scramble for deposits at steadily rising rates of interest. With the bank rate being somewhat out of alignment with the prevailing interest rates in the country, the margin between the rate at which working funds are obtained and that at which they are lent out tends to be not sufficiently remunerative and I hope you will agree that the policy we have been pursuing is right in the circumstances of the case. It has been responsible for the comparatively small rise of Rs. 4.24 lakhs in the item of interest paid on deposits, borrowings, etc.

Our investment portfolio shows a reduction of Rs. 62 lakhs and stands at Rs. 56.71 crores. During the year, the Bank had to take up sizable blocks of the Central and the State Governments loans and, in addition, a large allocation of 3½ per cent National Plan Bonds, 1965, was received in lieu of Shares of the Imperial Bank of India held in the portfolio. While the total figure shows only a small reduction, profits have been secured wherever possible and there has also been a shift towards better yielding securities. It may be mentioned here that while the reduction in the portfolio may appear small, the ratio of Investments to Deposits has come down from 50 per cent in 1953 to 44 per cent in the year under review. A special Committee of the Board has been looking after our investments, and you may be sure every effort will be made to effect reductions in the portfolio.

At the end of the year, the difference between the book value and the market value of our investments was substantially narrowed. It now stands at Rs. 1.62 crores. When we recall that, at the end of 1953, the gap was of the order of Rs. 3 crores and 13 lakhs, we can appreciate the improvement in the position that has taken place.

During the year, the Report of Mr. Justice Gajendragadkar's Commission was published. All the recommendations made by it were accepted by Government and embodied in a Bill which was passed on the 22nd of October. This enactment is to continue in force for a period of five years. The Act provides a suitable machinery for dealing with matters arising from the interpretation of the recommendations made by the Commission. It is very unfortunate that this liberal measure of amelioration of working conditions should not have been adequately appreciated by those in whose interest it was conceived. The adjustments made in accordance with the terms of the Award occasioned disturbances and dislocation of work in a number of banks and it would appear as if a section of the employees had made it its business to perpetuate the unhappy relations subsisting for so many years and which the Commission's recommendations had done their utmost to remove. I am glad that the majority of the members of our staff have given no countenance to such activities which are calculated to react very adversely on the fortunes of themselves as well as of the bank they serve. I am sure no one who has any understanding of the conditions under which banking business has to be carried on will fail to appreciate the great advance that has been made in the working conditions of employees, and realise the close identity of interest between Managements and Staffs. I reiterate the hope I expressed last year that a new era of closer and happier relations will be ushered in and that all of us who are engaged in the service of banks, from the highest to the lowest, will do all in their power to promote the growth of the industry and enable it to make its full contribution to national development.

The Directors' Report has referred to the great loss suffered by the Bank by the passing of Mr. H. C. Captain within a very few days of his retirement from service. Mr. Captain, in spite of ill health during the closing stages of his life, had continued to devote himself unstintingly to the interests of the Bank and it was a matter of great regret to the Board that his long connection of 34 years had come to such a tragic and abrupt end. The Board and the members of the staff have severally placed on record their appreciation of all Mr. Captain had done for the Bank and I am sure the shareholders share their sense of loss and wish to convey to the members of his family their heart-felt condolences.

On the retirement of Mr. Captain, the Board appointed Mr. N. K. Karanjia as General Manager of the Bank. It was a fitting recognition of his long and meritorious service, and during the few months in which he has been working as Chief Executive of the Bank, the Board has every reason to be satisfied with the wisdom of their choice.

To strengthen the organisation of the Bank and to exercise greater control over the day-to-day working, the Board appointed Mr. C. H. Bhabha, Vice-Chairman, and delegated certain powers to him under Article 107 of the Company's Articles of Association. Mr. Bhabha has since been devoting a great deal of his time and energies to the affairs of the Bank and I cannot speak too highly of the work he has been doing.

To Mr. N. K. Karanjia, General Manager, and Mr. F. C. Cooper, Deputy Manager, our acknowledgments are due for the zeal and efficiency with which they have been discharging their responsibilities. I would also like to thank other members of the Staff at the Head Office and the Branches and the members of the Local Committees at various centres for the services they are rendering.

I now move the adoption of the Report and the Audited Statement of Accounts for the year ended 31st December, 1955.

(This is not a Prospectus but only an Announcement of Prospectus. The Prospectus dated 17th March, 1956 has been filed with the Registrar of Companies, Bombay, and a copy thereof can be inspected at the Registered Office of the Company on any working day during business hours. Copies of the Prospectus may be obtained from the Head Office and branch offices of the Bank of Baroda Limited mentioned below).

(Consent of the Central Government has been obtained to this issue by an order of which a complete copy is open to public inspection at the Head Office of the Company. 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.)

An application will be made to the Native Share and Stock Brokers' Association, Bombay, in due course for a quotation of the shares.

The subscription list will open on Saturday the 31st day of March 1956 and will close on Thursday the 12th day of April 1956, both days inclusive, or earlier as may be decided by the Directors, but not before the 6th day of April 1956.

POLYCHEM LIMITED

(Incorporated under the Indian Companies Act, 1913).

SHARE CAPITAL

AUTHORISED CAPITAL :

80,000 Redeemable 7½% (taxable) Cumulative First Preference Shares of Rs. 50/- each.	
80,000 Ordinary Shares of Rs. 50/- each.	
1,40,000 Unclassified shares of Rs. 50/- each	Rs. 1,50,00,000

ISSUED CAPITAL :

80,000 Redeemable 7½% (taxable) Cumulative First Preference Shares of Rs. 50/- each	Rs. 40,00,000
80,000 Ordinary Shares of Rs. 50/- each	Rs. 40,00,000
	Rs. 80,00,000

There are no Founders' or Deferred shares nor any Debentures or Mortgages.

Out of the above issue the promoters Kilachand Devchand & Co., Ltd., the Directors of the Company and their friends including Dow Chemical Company of Midland in the State of Michigan, U.S.A., have agreed to subscribe for:

Ordinary Shares of the nominal value of Rs. 20,00,000-0-0 which will be allotted to them.

ISSUED TO THE PUBLIC :

Preference Shares of the nominal value of	Rs. 40,00,000-0-0
and	
Ordinary Shares of the nominal value of	Rs. 20,00,000-0-0

The whole of the issue to the public has been underwritten.

TERMS OF ISSUE

PREFERENCE SHARES

The Redeemable 7½ per cent (taxable) Cumulative First Preference Shares (hereinafter called the "Preference Shares") shall entitle the holders thereof to a fixed cumulative preferential dividend at the rate of 7½ per cent per annum (taxable) on the capital for the time being paid up thereon, and the right in the winding up to the payment of capital and arrears of dividend (if any), whether declared or not, up to the

commencement of the winding up in priority to all other shares in the capital of the Company, but shall not confer any further right to participate in the profits or assets of the Company, nor confer any right to the offer or allotment of further shares whether issued by the Company or by the Directors.

The Company shall have the right after 15 years from the date of issue of the Preference Shares to redeem at par all the said Preference Shares or such of them, by drawing lots, as the Directors may from time to time decide, after giving six months' previous notice in writing in that behalf addressed to the holders of the Preference Shares so to be redeemed. All outstanding Preference Shares will be redeemed within 20 years from the date of issue.

The Preference Shares shall confer no right of voting at any General Meeting of the Company except,

(i) When resolutions are placed before the Company which directly affect the rights attached to preference shares (and for this purpose any resolution for winding up the Company, or for the reduction of its share capital shall be deemed directly to affect the rights attached to preference shares); or

(ii) When the dividend due on such capital or any part of such dividend has remained unpaid in respect of an aggregate period of not less than two years preceding the date of the commencement of the meeting and for the purpose of this clause dividends shall be deemed to be due on preference shares on the last date specified for the payment of such dividend in the Articles or other instrument executed by the Company even though no dividend has been declared by the Company on such capital.

ORDINARY SHARES

Every holder of an ordinary share shall be entitled to be present and to speak and vote at any General Meeting and when present in person shall have one vote on a show of hands and on a poll when present in person or by proxy shall have one vote in respect of every ordinary share held by him.

Under the Articles of Association of the Company, no member shall be entitled to be present or to vote at any General Meeting either personally or by proxy or as proxy for any other member 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.

No person as the bearer of a Share Warrant in respect of the shares mentioned therein shall be entitled to attend or vote at any General Meeting of the Company.

BOARD OF DIRECTORS

	Designation	Address
1. SHRI RAMDAS KILACHAND (Chairman)	Merchant	95 Nepean Sea Road, Bombay 6.
2. SHRI KRISHNARAJ M. D. THACKERSEY,	Merchant	2 Warden Road, Bombay 26.
3. SHRI GULABCHAND HIRACAND,	Merchant	Construction House, Bombay 1.
4. SHRI RAMNIVAS RAMNARAIN RUIA,	Merchant	State Bank Building, Bank Street, Bombay.
5. SHRI CLAYTON S. SHOEMAKER,	President, Dow Chemical International Ltd.	Midland, Michigan, U.S.A.
6. SHRI WILLIAM H. SCHUETTE,	General Manager of the Midland Division of Dow Chemical Company,	Midland, Michigan, U.S.A.
7. SHRI AMBALAL KILACHAND,	Merchant	95 Nepean Sea Road, Bombay 6.

REGISTERED OFFICE

45-47 Apollo Street, Fort, Bombay-1.

AUDITORS

Messrs. Nanubhai and Co., 51 Mahatma Gandhi Road, Bombay-1.

LEGAL ADVISERS

Messrs. Daphtary Ferreira & Divan, 13-19 Medows Street, Fort, Bombay-1.

BROKERS

1. Messrs. Harkisondass Lukhmidass, 5 Dalal Street, Bombay-1.
2. Messrs. Premchand Roychand Ltd., 63 Apollo Street, Bombay-1.
3. Messrs. Merwanjee Bomanjee Dalal, Allahabad Bank Bldg., Apollo Street, Bombay-1.
4. Messrs. Stewart & Co., 7 Royal Exchange Place, Calcutta.

BANKERS

The Bank of Baroda Limited, 10-12 Apollo Street, Bombay-1.

BUSINESS OF THE COMPANY

The Company has not yet obtained Certificate to commence business.

The Company has been formed for carrying on all or any of the objects mentioned in its Memorandum of Association. One such object is to carry on the business of manufacturers of and dealers in styrene, polystyrene, vinyl chloride, polyvinyl chloride, polyethylene, cellulosic plastics and other thermosetting and thermoplastic materials (synthetic and natural origin), oxygen, nitrogen, hydrogen, hydrocarbon gases including ethylene, and acetylene, reagents, agricultural chemicals, insecticides, fumigants, weedicides, pesticides, colouring materials, pigments and lakes, paints, varnishes, lacquers, finishes, dyes, toners, perfume and flavouring chemicals, rubber chemicals, plastic and resinous materials, elastomers, gums, glues and adhesive composites, plasticizers, surface active agents, tanning agents, coating resins, drugs and pharmaceutical chemicals, solvents, marine chemicals, synthetic fibres, fertilisers and all types of industrial chemicals, acids, alkalies, hormones, trace elements.

The promoters of the Company have entered into an agreement with Dow Chemical Co. of U.S.A., one of the foremost chemical concerns in the world and a leader in the world production of polystyrene for the exclusive grant to the Company of the formulae for the manufacture in India of polystyrene moulding powders by the continuous technique of polymerisation and for other technical assistance.

The principal raw material required is styrene monomer, the supply of which has been provided for over

a period of five years by an Agreement entered into with Dow Chemical International Ltd. of U.S.A. and the Promoters.

This is the only unit sanctioned by the Government of India for the manufacture of polystyrene in India.

Polystyrene is at present used in India by the plastic moulding industry for the manufacture of numerous articles of industrial and domestic consumption. Polystyrene has many other uses which have hardly been touched upon in India.

Polystyrene has been consumed in India so far for manufacturing articles of domestic use such as toys, combs and toilet articles and articles of personal use. The importance of polystyrene in the industrial field is now being recognised. The consumption of polystyrene in India has grown from below 2,000,000 lbs. in 1948 to about 5,000,000 lbs. in 1954, almost all in the consumer items alone, some of which are finding export markets at present. Its future potentialities can be judged from the fact that the Indian Plastic Manufacturers' Association has estimated a consumption of 10,000,000 lbs. annually during the period of the second Five-Year Plan and has requested the Planning Commission to plan accordingly.

The Company's plant has been designed to a rated capacity of 6,000,000 lbs. of moulding powder per year with a margin for expansion which will meet the requirements of the moulding industry. Further provision will be made for the manufacture of 12,00,000 lbs. of modified polymer. The unit will be expanded with appropriate additions to take care of increased consumption by the plastic moulding industry. There is also

a very wide scope for development of many other products of considerable commercial value such as Styrofoam (insulating material), Styroflex (Electrical insulating film and sheet), Synthetic resins (Co-polymers, synthetic rubbers), Paints (Styrenated alkyd resins), Films and Sheets based on Styrene as well as other important chemicals and plastics.

Negotiations are in progress for obtaining suitable site for the Company factory at Goregaon in the Bombay Suburban District.

CAPITAL OUTLAY

Import licence for the greater part of the plant has already been obtained, the designing of machinery has also made much progress and orders will be placed for equipment without delay. The capital outlay for the plant will be about Rs. 39,30,000 made up as under:

Land and buildings	Rs. 7,00,000-0-0
Machinery and Equipment	26,00,000-0-0
Utilities and other expenses	3,00,000-0-0
Issue of stock to Dow Chemical Co. for exclusive grant of formulae	6,00,000-0-0
Brokerage and underwriting	1,80,000-0-0
Preliminary expenses	1,50,000-0-0
	Rs. 39,30,000-0-0

Working capital required per year is expected to be approximately as follows:

Technical fee to Dow Chemical Co. \$25,000 for each of 5 instalments	Rs. 1,20,000-0-0
Raw materials (about 3 months' stock)	22,00,000-0-0
Finished goods (about 3 months' stock)	25,00,000-0-0
	Rs. 48,20,000-0-0

The capital outlay and the working capital will be provided for the greater part from the present issue of capital totalling to Rs. 80,00,000. Any balance will be provided by borrowings.

On the basis of existing prices and after allowing for all costs, overheads, depreciation and a margin for contingencies, the Directors are confident that the Company will be able to pay an attractive dividend on the Ordinary Shares after meeting interest on loans and Preference Shares.

UNDERWRITING AND BROKERAGE

The issue of 40,000 Ordinary Shares and the 80,000 Preference Shares has been fully underwritten by the Industrial Credit and Investment Corporation of India Ltd. and the Bank of Baroda Ltd. In the opinion of the Directors the resources of the said Underwriters are sufficient to discharge the underwriting obligations.

The Company will pay brokerage at the rate of 1 per cent to recognised brokers or banks on allotments made in respect of applications bearing the stamp of such brokers or banks.

DOCUMENTS OPEN FOR INSPECTION

The copy of the Prospectus, Memorandum and Articles of Association of the Company, Consent of the Government of India for issue of capital, permission to allot shares to Dow Chemical Company, agreements

between the Promoters and the Dow Chemical Company and Dow Chemical International Limited, Promoters' agreement and the underwriting agreements contained in correspondence are available for inspection during office hours at the Registered Office of the Company until the subscription list is closed.

GENERAL

Copies of the Prospectus and Application Forms may be obtained from the Company or from the Head Office of the Bank of Baroda Ltd. at Baroda and its branches at Baroda, Ahmedabad, Bangalore, Bhavnagar, Bombay, Calcutta, Coimbatore, Delhi, Dhulia, Hyderabad, Jalgaon, Jamnagar, Kanpur, Madras, Mehsana, New Delhi, Patan, Poona or Rajkot.

Application forms should be delivered before the closing of the subscription list to the Head Office or any of the above offices of the Bank of Baroda Ltd. accompanied by payment of the application money. Where no allotment is made, the deposit will be returned in full less the money order charges (if any) and where a partial allotment is made, the unutilised balance will be applied towards the further amount due. The Directors reserve the right to refuse any application wholly or in part without assigning any reason.

Applications from the Public for the shares described in this announcement will be received only on the footing of the full prospectus and in the printed forms of application accompanying such prospectus. This announcement is not to be regarded, for the purposes of the Companies Act, as an invitation to the Public to subscribe.

RECORDS & STATISTICS (QUARTERLY BULLETIN)

Editor: R. V. MURTHY, M.A.

"The Eastern Economist" Bulletin of Records and Statistics surveys economic trends in each quarter in India and abroad with the aid of graphs and all available statistics. One of its special features is the Investment Supplement.

Annual subscription	Rs. 12
For subscribers to "The Eastern Economist"	10
Single copy	3

Copies can be had from all important Booksellers and Railway bookstalls of Messrs. A.H. Wheeler & Company

For details write to:

THE EASTERN ECONOMIST
NEW DELHI: 52, Queensway.

BOMBAY: Kermani Bldg., Sir P.M. Road, Fort.
CALCUTTA: 28 & 29, Royal Exchange Place Extn.
LONDON: 3, Salisbury Court, Fleet Street.
NEW YORK: 25, Broadway.

COMMODITY NEWS AND NOTES

EXPORT OF MANGANESE ORE

There is a considerable decline in exports of manganese ore to the principal consuming countries. Total exports of ore from India during 1955 declined approximately by about 2.54 lakh tons to 8.37 lakh tons from 10.91 lakh tons in the previous year. In terms of value the decline is of the order of Rs. 5.43 crores. India's principal customer is the U.S.A. accounting for an offtake of 3.46 lakh tons in the previous year. The offtake by the U.K. has also declined. The total offtake being 86,078 tons against 1.5 lakh tons in the previous year. This is because the U.S.A. has been increasingly relying on the Brazilian ore in view of her substantial investment interest in that country. The decline in Indian exports is also attributed to increased competition from Cuba, the Union of South Africa, Gold Coast and Belgium Congo. Transport bottlenecks and the restriction on the manganese ore exports have also contributed to the short fall.

SECOND ESTIMATE OF WORLD RICE OUTPUT

According to the U.S. Agriculture Department world rice production in 1955-56 (August-July) would be 27,500,280,000 lbs of rough rice compared with the estimated 262,382,400,000 lbs produced in the 1954-55 crop year. This crop is close to the record of 276,259,900,000 lbs in 1953-54 and is 22 per cent above the average production in the immediate post-war period, the Department said in its weekly publication, "foreign crops and market." World acreage seeded to rice in 1955-56, was placed at 201,901,000 acres compared with 195,041,000 acres sown in the previous year and with 202,514,000 in 1953-54. Gains are largely in India, Thailand and Japan, though a continued upward trend is noticeable in other Asian countries. It was the second forecast of world production made by the Agriculture Department. In its first, published in November, world output of rough rice in 1955-56 was then forecast at 270,210,900,000 lbs.

EXPERT COMMITTEE'S QUESTIONNAIRE ON TOBACCO

A questionnaire has been issued by the Expert Committee appointed by the Government of India to review the developmental procedure now in force for giving effect to the tariff based on capability of unmanufactured tobacco other than flue-cured for use in biris, with special reference to the concessions authorised by the Government of India in July, 1951 to examine whether the concessions have been satisfactorily operated or not, and to make recommendations for modification in the existing concessions and procedures. The main points in the questionnaire elicit information on the two botanical types of tobacco grown in one's area, local names of each variety and the districts or sub-divisions or talukas in which each is grown; method of harvesting, the consumption of varieties in the area and the existing maximum and minimum whole-sale prices per standard maund for each variety produced in the area.

Part II of the questionnaire refers to varieties grown outside one's area and asks for an alternative scheme of concessions, if not satisfied with the general scheme of concessions under the M.F. (R.D.) Notification No. 23 dated 14-7-51 and C.B.R. letter No. 9016-CX(I) dated 12-7-51. In part III, opinion is sought on the scheme of denaturation of marginal types of tobacco; while in part IV the effect of tariff changes in

1951 on the price structure of different varieties of tobacco are enquired into: Part V and VI pertain to questions like the methods adopted for estimating the yield of tobacco for purposes of accounting and assessment and other rates and taxes levied on unmanufactured tobacco. In all there are 51 questions in the questionnaire.

FINAL ESTIMATE OF CASTORSEED

According to the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture, the all-India final estimate of castorseed for 1955-56 puts the current year's acreage and production at 1,462,000 acres and 126,000 tons, as against the partially revised estimate of 1,394,000 acres and 124,000 tons respectively for 1954-55. This shows an increase of 68,000 acres or 4.9 per cent in area and 2,000 tons or 1.6 per cent in production over last year. The increase in both area and production of castorseed during the current year has occurred mainly in Saurashtra and has been attributed to the satisfactory rains during the current year. This increase in area and production has, however, been reduced to some extent by the decrease reported by Hyderabad.

GRAPE PRODUCTION IN INDIA

The annual production of grapes in India is 200,000 maunds which is valued roughly at Rs. 120 lakhs. It covers an area of 1,420 acres under recent estimates. An acre of the crop yields 10,000 to 15,000 lbs of table, raisin or current and juicy grapes, or anything between, 7,500 to 10,000 bunches—each vine bearing 35 to 50 bunches. In South India, as high a yield as 50,000 lbs. has been obtained, which comes very near the world record of 55,000 lbs an acre.

It is reported, besides grapes, viticulture provides some valuable bye-products like Argol or cream of tartar which can be obtained from the stem of the vines and forms a component part of ingredients in baking confectionery, and dyes. A kind of jelly can be made from the skin of grapes and oil and oil cakes are obtained from the seeds. The oil is mixed with linseed oil and used in paints.

SECOND ESTIMATE OF SMALL MILLETS

According to the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture, the all-India second estimate of small millets for 1955-56 puts the current year's area and production at 11,446,000 acres and 1,693,000 tons as against 12,215,000 acres and 2,002,000 tons in the corresponding adjusted estimate for 1954-55. During 1954-55, the second estimate both in respect of area and production of small millets reached record figures. As compared to these record figures, the current year's estimates show a decrease of 769,000 acres or 6.3 per cent in area and 309,000 tons or 15.4 per cent in production. The decrease in area has been shared mainly by Uttar Pradesh, Bombay, Andhra, Hyderabad and Madhya Bharat due to unfavourable weather conditions at the time of sowing. This decrease in area has, however, been offset to some extent by increases reported by Vindhya Pradesh, Madras and West Bengal.

COMPANY AFFAIRS

THE STANDARD MILLS CO., LTD.

The Directors' Report and the audited accounts of the Company for the year ended December 31, 1955, show the Company's profit for the year of Rs. 38,87,581, after deducting the Managing Agents' Commission amounting to Rs. 4,28,326, remuneration of Rs. 30,000 and depreciation of Rs. 17,21,971. Including the carry-forward from the previous year's accounts of Rs. 17,128, the total sum available for distribution is Rs. 39,04,709. The Directors have recommended transfer of Rs. 10,87,376 to special depreciation reserve. Provision for income-tax and corporation tax absorbs Rs. 10,00,000. Dividends of Rs. 4, free of income-tax, per share on 6000-4 per cent cumulative redeemable 1st preference and 2nd preference shares each, take Rs. 48,000. The dividend on 87,800 ordinary shares at Rs. 20 per share, free of income-tax absorbs Rs. 17,56,000, leaving a balance of Rs. 12,833 to be carried forward.

These accounts include the accounts of the New China Mills Ltd., for the same period, which was amalgamated with the Standard Mills during the period under review. A total of 31,800 newly created ordinary shares of the Company were allotted to the shareholders of the New China Mills, Ltd.

Modernisation of the mills was continued and Rs. 4,00,346 were spent on the construction of new buildings and another Rs. 26,15,895 were spent on the purchase of new machinery. A sum of Rs. 9,64,020 has been transferred from rehabilitation and development reserve to the development rebate reserve in accordance with the provisions of the Income-Tax Act.

THE BRITISH INDIA CORPORATION, LTD.

The working results of the Corporation for 1955 are disappointing. Including income from investments and after making all the usual allowances, including Rs. 15 lakhs for depreciation, the loss for the year is Rs. 30,17,727. The carry forward from the previous year's accounts, of Rs. 2,81,142, reduces the deficit to Rs. 27,36,585 which is to be carried forward.

The impact of excise duties on leather, footwear and cotton cloth, and the heavy cost of employing, or discharging, redundant labour, have been responsible, according to the Directors, for the unfavourable results. The 3-month strike in the textile branches at Kanpur and the floods in the Punjab, causing dislocation of despatches of manufactured goods from the New Egerton Woollen Mills Branch, have been additional adverse factors.

In addition to the adverse effect on the sales of woollens, profit margins were controlled by competitive conditions. There was a considerable drop in the prices of raw material towards the close of the year under review, and to make provision against such a drop in the value of raw and manufactured stocks, a further penalty was suffered by the Corporation. The Directors feel that the quality and quantity of suitable raw hides for leather and footwear branches are not satisfactory and prices are high. However, prospects for the export of leather are now brighter than before.

Suitable action continues to be taken by the Directors to restore trading to a profitable basis. The capital expenditure programme is under execution and rehabilitation plans for all branches are being pursued.

THE SHIVRAJPUR SYNDICATE, LTD.

The profits of the Syndicate for the year ended November 30, 1955, amount to Rs. 35,49,059, after deducting depreciation of Rs. 3,60,493. To this has been added Rs. 13,381 brought forward from the previous year's accounts and Rs. 269, being profit on sale of assets. After providing Rs. 12,25,000 for income-tax and super-tax, writing off Rs. 558, setting aside Rs. 27,867 to workmen's compensation reserve, Rs. 6,10,511 to staff welfare reserve, Rs. 3,50,000 to mine development and prospecting reserve, Rs. 5,00,000 to general reserve, Rs. 1,50,000 to equalisation of dividends reserve, and Rs. 1,17,112 to retiring gratuities reserve, the available balance for distribution is Rs. 5,81,661.

The Directors have recommended a dividend of Rs. 5 per share, free of income-tax, which absorbs Rs. 3,50,000. Bonus to shareholders at Rs. 3 per share, free of income-tax, takes away Rs. 2,10,000 and the balance of Rs. 21,661 is to be carried forward.

The mining operations were satisfactory, producing 91,427 tons. The slight drop from the previous year's production of 96,405 tons has been attributed to the gradual approach of the end of the useful life of the opencast working in Bamankua. There was an increase in the shipments of manganese ore, mainly to the USA, totalling 81,775 tons against 74,477 tons during the previous year. The abolition of export duty in August, 1954, has been responsible for this increase. The policy of forward selling of ore helped the Syndicate to escape the effect of slump in the Indian manganese ore trade during 1954. Forward sales during 1955 also have been concluded extending into the financial year 1956-57.

Stopping operations continued at Shivrajpur and the tonnage yield was 26,335 compared to 17,958 in 1953-54. Development plans are proceeding in other areas also. An additional power plant of 300 H.P. has been erected at Shivrajpur, and the installation of a new power plant at Pani is nearing completion.

STATE BANK OF INDIA

The Directors report that after making usual and necessary provisions, the net profit of the Bank for the half-year ended December 31, 1955, amounted to Rs. 68,59,396. Together with Rs. 33,56,439 transferred from the Imperial Bank of India, it makes a total of Rs. 1,02,15,835. A sum of Rs. 45,00,000 has been paid out in payment of a dividend at Rs. 8 a share. Transfer to the pensions fund amounts Rs. 2,78,500. Bonus to be paid to staff absorbs to Rs. 20,00,000 and the balance of Rs. 34,37,335 is carried forward.

AGRA ELECTRICITY SUPPLY CO., LTD.

The accounts of the Company for the half-year ended September 30, 1955, show that, after providing for all charges and setting aside Rs. 16,030 to the general reserve, there remains a balance of Rs. 1,46,064, including Rs. 46,887 brought forward from the previous half-year's accounts, available for distribution. The Directors have recommended payment of a 10 per cent dividend per annum, free of income-tax for the half-year under review, which absorbs Rs. 99,980. The balance of Rs. 46,084 is proposed to be carried forward.

During the last six half-years, there has been rise and fall, alternately, in the number of units sold, but the revenue shows a steady upward trend.

CURRENT STATISTICS

Regd. No. D-314

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

		Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
		Food Articles	Indus. Raw Materia	Semi-man- ufactured Articles	Manufac- tured Articles	Miscel- laneous	General Index	Govt. and Semi- Govt.	Deben- tures	Prefer- ence	V. D. I.
1947-48	..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49	..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50	..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51	..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52	..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53	..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54	..	387.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.0
1954-55	..	339.8	436.2	350.3	377.3	612.4	377.4	90.5	100.7	88.4	113.0
May	1955 ..	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9
June	.. c ..	281.8*	390.4	329.7*	370.0	567.4*	342.5*	90.8	100.6	87.5	113.2
July	.. c ..	309.7*	408.1*	329.6	370.9*	562.6*	355.6*	90.9	100.7	87.8	117.9
August	.. c ..	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.8	123.8
September	.. c ..	313.0	396.1	324.8*	368.8	556.3	353.2	90.9	100.7	87.2	122.8
October	.. c ..	315.7	403.7*	329.8	371.2	559.3	357.2*	91.0	100.7	87.2	124.5
November	.. c ..	326.5	418.9*	338.1	373.3	543.3*	365.0*	91.0	101.0	87.7	129.9
December	.. c ..	323.7*	438.3	346.6	373.0	544.2	368.4	91.0	101.0	87.7	130.6
January	1956 ..	333.4*	454.2*	353.5*	375.2	540.0*	376.0*	91.0	101.0	87.3	125.7
February	.. c ..	335.3	464.0	355.8	375.4	529.1	378.3	91.3	101.1	86.7	121.0
Week Ending											
11-2-1956	..	328.8	464.9	355.7	375.6	528.8	376.1	91.3	101.1	87.0	121.4
18-2-1956	..	338.3	460.2	358.5	375.5	528.5	378.7	91.3	101.2	86.8	120.5
25-2-1956	..	343.0	462.4	357.2	375.3	527.4	380.9	91.3	101.0	85.9	120.1
3-3-1956	..	343.1*	462.7*	361.3	375.4	528.5*	381.8*	91.2	101.1	87.0	121.9
10-3-1956	..	339.8	473.3	365.8	376.2	511.1	382.7	91.3	101.1	87.0	121.4

* Average of weeks.

* Revised

† Economic Adviser's Series.

†† Reserve Bank Series.

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS
(August 1939=100)

Period	Bombay		Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	105	104	—	108	—	—	—
1948	286	303	243	132	330	471	372	146	309	168	134
1949	292	307	248	132	348	478	377	161	323	164	138
1950	298	313	257	132	348	434	372	153	325	165	138
1951	314	330	261	142	370	451	391	168	334	167	144
1952	321	337	250	143	351	441	380	150	330	151	141
1953	346	363	275	140	349	453	387	151	351	147	145
1954	342	359	244	138	327	408	373	139	341	148	138
1955	322	338	218	130	..	..	..	321	..	..	..
1955 May	320	336	204	122	315	335	351	128	307	131	127
June	317	333	211	123	317	347	359	131	311	131	130
July	324	340	224	129	325	371	364	136	316	134	132
August	325	341	229	134	329	375	367	137	318	136	134
September	317	333	224	133	327	373	367	133	322	138	132
October	315	331	225	134	334	385	369	—	323	—	134
November	314	330	229	136	339	392	369	—	327	—	135
December	312	332	230	140	329	393	375	—	334	—	—
1956 January	—	—	—	139	—	404	—	—	334	—	—
February	—	—	—	137	—	—	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	24-3-1956			17-3-1956			10-3-1956			3-3-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	107-1	104-2	105-13	105-4	101-5	103-6	101-14	98-11	100-4	102-7	99-8	101-0
Silver (per 100 fine tolas)	183-1	179-5	181-12	179-0	173-11	177-12	178-8	173-12	174-11	176-15	172-2	175-3

The Eastern Economist

VOL. XXVI. NO. 14.

NEW DELHI: APRIL 6, 1956.

ONE RUPEE

CONTENTS

	Page		Page
Leading Articles:		Special Articles:	
THE COMMUNIST PARTY OF INDIA ..	553	TEXTILE TARGETS IN THE SECOND PLAN by G. D. Somani, M.P. ..	569
SOCIALISTS AT THE SIGNPOSTS ..	555	THE CITIZEN AND THE STATE by Sardar K. M. Panikkar ..	571
KRISHI PANDITS AND PRODUCTIVITY ..	556		
THE WEEK'S NOTES ..	557	The Business World:	
New Set-up for the Punjab; India and Yugoslavia; Higher Education for Rural Areas; Economists and Policy-Making; New British Index of Retail Prices; The Gold Weapon in the Soviet Armoury; Future of Singapore.		Private Enterprise—Correct Attitude ..	573
		BUSINESS NOTES ..	575
		Ahmedabad Electricity Company; Organisation for Trade Co-operation; Focus on Cotton Tangle; Bankers' Problems; Emergence of Solar Energy.	
A WINDOW ON THE WORLD:			
Odysseus on "Inquest on Incentives" ..	561		
BOOK REVIEWS ..	563	COMPANY AFFAIRS ..	577
ECONOMIC REPORT FROM THE US: America and World Trade ..	564	COMMODITY NEWS AND NOTES ..	578
WORLDGRAM AND NEWS IN BRIEF ..	565	CURRENT STATISTICS ..	582

The Communist Party of India

THE Communist Party of India was in closed session for six full days in New Delhi within the last fortnight. On one subject alone—the Twentieth Congress of the Soviet Communist Party—there has emerged a 2,000-word resolution which reflects not a little of the anxious thought and conflicting emotions which are now part of the mind and heart of India's Communist Party. It is known that when "the cult of personality" was developed in Moscow for the purpose of the denigration of Marshal Stalin, many leading members of the Communist Party in India rebelled against the idea. So, indeed, both logically and emotionally they well might have done, for the Communist Party of India has never been tired of extolling the tremendous capacity of benevolence and warm humanitarianism of the former Russian dictator. It has waited for Mr. Mikoyan's visit and some conversations in New Delhi for a complete change of countenance in the Communist Party of India. Today the Communist Party in India, unlike a month ago, has adopted with as much grace as is possible, the Moscow line. There was, of course no doubt that the Indian Communist Party would eventually adopt the Moscow line. That is the only fixed line in its current policy. What Moscow says today, the Communist Party of India will say tomorrow.

Thus, if ever there was any doubt as to the character of the relationship between the Communist Party of India and the Communist Party of the USSR, the 2,000-word resolution now issued should dispel it. It shows that the Indian Communist Party has no individuality of its own. The Communist Party of India cannot have any major purpose in the denigration of Marshal Stalin although, presumably the Communist Party of the USSR has. Whether it is that the tensions inside the Soviet Union associated with Stalin's ruthless dictatorship have proved overwhelming, or that the satellites of the Soviet Union needed an assurance that a new and somewhat more rational element was at work in the Kremlin, one might conceivably argue that the USSR had some purpose in taking its beloved hero until a year ago off his great pedestal. But that the Communist Party of India which has no major interest in the tensions which Stalin created in Europe should sign meekly on Moscow's dotted line, and find new reasons for eating its own words repeated in season and out of season over the whole of the Stalin period, shows that local policy is dominated far more by the Moscow line than by Asian needs.

To those who have drawn attention to the Communist Party of India as something different

from the Communist Party of the USSR this slavish imitation of Moscow should be a salutary lesson. It may suit the Communist Party of the USSR to treat a non-Communist Government—to art, the present Congress Government in India—as being an expression of its own voicing so long as the Indian Union appears to take what, in Moscow's eyes, is an anti-West line. But if there is anyone in the Indian External Affairs Ministry who considers that there is a real breach between the Communist Party of the USSR and the Communist Party in India, he is employing very wishful thinking. It is perfectly true that from time to time the Kremlin does change its line and does embarrass its followers abroad. Its recent turn on Stalin has certainly been embarrassing to National Communist Parties everywhere; what, however, is important is that, in the last analysis the National Communist Parties always wheel round to the Moscow line. In other words, in the end the alliance between the Communist Party of the USSR and the Communist Party in India cannot be broken. This is essentially because the Communist Party of India, like other National Communist Parties, has its spiritual home in Moscow. Any differences that appear between a National Communist Party and the Kremlin will sooner or later be brought into line by the acceptance of the Kremlin's views. The Indian Communist Party is no exception to this rule; if the Congress thinks it can drive a wedge between Moscow and the Communist Party of India, it is making a very foolish mistake.

What lessons are to be learnt from the events of the last two months? By every standard, they have been earth-shaking events. The public exhibition of the greatest hero of the Soviet Union as a murderer, a war-monger and something little short of a madman has introduced an element of deep inferiority into all Communist leaders. Few of them can escape the point that, if Stalin was all that he is now made out to be, their slavish acceptance of his administration and his mistaken theories on the nature of capitalism and socialism must have indicated nothing more powerfully than the fact that the famous "dictatorship of the proletariat" can be one of the most perilous instruments ever invented for the maintenance of the rights of men. More has been done to promote democracy and democratic ways of thought in the last two months by the admission of the terrible character of the Russian dictatorship than could have been done by many volumes of Free World criticism of the character of the Communist State. This should be a heartening lesson to those in India who have frequently thought of dictatorship—whether of the proletariat or of any other kind—as a solution of the problems of an underdeveloped economy. Stalin certainly developed Russia's economy; there is no evidence now that this development was worth the terrible price that was paid.

In particular there is no evidence that the remarkable progress of the Soviet Union under Marshal Stalin has found any comparable translation in living standards of the Russian working classes. The record shows that the dictatorship of the proletariat has not succeeded—even when economic progress was extremely high—in protecting the average worker from exploitation. The rise in real wages in the USSR is one of the lowest in the world even while the rise in industrial output is one of the highest. In other words, the benefits of the socialist industrial miracle in the USSR have not been transmitted

to the Soviet worker in the same degree as has economic progress in democratic countries.

The reasons for transmission of wealth in democratic States are twofold. In the first place, an active Trade Union movement has always been able to secure for the worker directly for more than would be apportioned to him by a "dictator of the proletariat", who as a producer in the State sector is always anxious to keep his labour costs at a minimum. The dictatorship of the proletariat, precisely because it is both manager and worker, is far less effective in improving the lot of the worker than a powerful Trade Union movement which has no conflicting loyalties. Thus it is that there is no country with a strong Trade Union movement which has not recorded for its workers far larger successes than workers have received in the USSR. Only the Stakanovites—still a minority of Soviet workers—have benefited by extremely generous bonus production rates.

The second argument in favour of the democracies arises from the character of social democracy, that is to say, from the willingness of free communities to associate all levels and all interests in political decisions in which, in the last analysis, the vote of the majority is supreme. The effect of every expansion of the franchise in democratic countries has been to assist the underdog. Every increase in production in recent years has tended to be biased in favour of labour, not management. This is no more than to say that, in every increment of production, the share which accrues to lower income groups must be considerably greater than that which accrues elsewhere.

In the Indian Union the beneficial effects of social democracy are already at work. There is no doubt that there has been a great expansion of Trade Union influence which has tended to make Indian real wages in the last five years rise much more steeply than corresponding real wages in the Soviet Union. Similarly, as recent researches of the Indian Institute of Public Opinion have shown, irrespective of taxation in the income-tax paying class, there was less inequality in 1954-55 in the distribution of gross incomes than there was in 1948-49. When the operation of the Indian tax system is added to the equalising process of new production, it transpires that the inequality of incomes in the Indian Union is being reduced much more considerably than in the Soviet Union, even, in terms of the rate of the reduction of inequality, greater than in the United Kingdom.

At the present time, India is beginning to have a rate of correction of social injustice which is as high as that in any country in the world. It is these facts which in the last analysis will defeat the Communist Party of India. The Prime Minister was right to say the Communist Party is "reactionary" in the sense that it is unable to see developments outside its text-books which make the original doctrine of Marx largely inapplicable to the current situation. But there are some of these lessons which are not only to be learnt by Communist "reactionaries". There are not a few people in India—most of them are in the Congress—who consider that State control, in theory democratic but in practice monolithic, is the only solvent for India's social problems. There is nearly as much danger in this monolithic State philosophy as there is in the pattern of Communist dictatorship, which has received in the last two months so much denigration and derision even from its innermost sanctuary.

Socialists at the Signposts

WHAT is Socialism? If a modern Jesting Pilate were to ask the question today, he may wait indefinitely for an answer and perhaps the lack of response may itself provide in eloquent terms an answer. Mr. Gulzarilal Nanda, Minister for Planning has said this week that India's socialist pattern meant Sarvodaya, though that explanation may not greatly add to one's enlightenment. Mr. Nanda, however, seemed to be clear that starting industries in the public sector or nationalising insurance was not socialism. This was a somewhat negative approach but defining concepts through negatives had been the technique of many great thinkers in the past. It is deeply imbedded in the Indian philosophical tradition: 'not this, not this' (*neti, neti*) is an outstanding classical example of the approach to the definition of the Ultimate by ruling out what it is not. The most curious thing about Socialism today is that even outside India its advocates should keep asking at every stage 'Is this Socialism?' and sometimes rather ruefully admitting the truth contained in the inevitably negative answer.

The most encouraging feature of this Socratic mood is its basic honesty of purpose, revealing an attitude of mind which refuses to be totally conditioned by dogma; perhaps this is only the obverse of the other doubt, how free can "free enterprise" be? The socialist challenge provoked this latter question at the other end; but free enterprise has not presented a counter-challenge except in terms of the demonstrated economic achievements of countries like the USA, Germany and Japan. The contradictions to which the theory and practice of socialism have led have been far more effective at the present time than other factors, in prompting new questions about the direction. These contradictions will not be accepted as indicators of the impracticability of socialism as it has been hitherto understood by its advocates but only as pointers to the need for pursuing new paths to the old goal of establishing the most practicable form of equality in society, consistently with the promotion of freedom and growth. So long as any system tends to be tested by the conditions for growth it provides and the preservation of the freedom of the individual, there is hope for the avoidance of dogma.

The British Labour Party's latest search for fresh political objectives cannot be described as born entirely of frustration. Hitherto, it could take considerable credit for creating the climate for the acceptance of the idea of the Welfare State but its consequence has been to rob the Labour Party of special function. The Welfare State plus nationalisation provided at one time a complete socialist programme; and the maintenance of full employment along with the two represented a long step towards the creation of equality of opportunity, if not of wealth and income. The evolution of modern social policy has enabled a Tory Government to keep the Welfare State as well as ensure over-full employment. On the only issue on which the Conservatives have been definitely opposed to the Socialists, namely nationalisation, Socialists have themselves been half-hearted and apologetic; they have not concealed their discovery that nationalisation is not an essential instrument for the effective regulation of the health of the economy.

As Mr. Gaitskell has pointed out in a recent paper, nationalisation was conceived at first as a means of giving the wage-earner a just reward, by preventing the owners of industry reaping undue profits; but workers in nationalised enterprises have not felt less exploited under a Labour Government than in private employment. Nor has it been found that nationalisation is essential to control the economy in order to regulate production in the national interest or to prevent the evils of private control of productive resources. And in the matter of production for a competitive international market, planning has not, indeed, been an infallible method; the widely accepted view that in 1954, the British Government did not simply have the indicators which could have warned it of the dangers ahead of brimful employment have revealed the limits to planning and extension of the nationalised sector at least in a country which has to live on its export trade.

This has been the starting-point of the search for new content to the socialist doctrine. The new content may not be easily available; and even if positive basis can be found in due course to suit the changing social context, it will not disprove the fact of the departure from the established modes of thinking. The existence of this quality may be a guarantee against any doctrine being carried to the point where it causes social disadvantage but it would prove the fluidity of socialism all the same, under a democratic system of discussion and persuasion, making it sound more as a slogan than as a manifesto.

What is still more interesting is the apparent revision of current socialist assumptions even under non-democratic systems, where revolution on a certain pattern was regarded as a *sine qua non* of the transition to socialism. At the Twentieth Congress of the Communist Party at Moscow, there has been a surprising degree of unanimity about the need for a revision of these assumptions and almost every speech indicated that the change to socialism can take place peacefully, employing existing parliamentary institutions. For the present, the Communist leaders have found a basis in Lenin's obiter dicta for a revision of their thesis on revolution and also for acknowledging that the forms taken by socialism may vary from country to country. In practice, the Soviet leaders have been quick to recognise the deviations from the Soviet pattern in Yugoslavia and in China.

At the same time, there is a significant aspect of this change which has gone unnoticed in the current debate over the "personality cult". A passage in Mr. Mikoyan's speech draws a distinction between "reformism and revisionism", on the one hand, and Marxism, on the other, the former being regarded as undesirable because it would not abolish private ownership of the means of production. Reformists are those, he says, who believe that small and miserly gains over the course of many years can bring them some day to socialism; Mr. Mikoyan characterised them as "not revolutionaries, but evolutionaries who reject revolution and the seizure of power by the working people." In this view, the Labour leaders in UK would appear as apologists of capitalism and therefore unworthy of being reorganised as fellow Socialists choosing different means to the same end. The contrast between the second thoughts of Socialists under a democracy and under Communism is thus striking.

Krishi Pandits and Productivity

SOME of India's present and potential Krishi Pandits met in convention in Delhi for some days this week and listened to why and how they should increase their output and, more important, productivity. It was a sign of the changing times that the farmers should have met in a convention at all, and be honoured at the Rashtrapati Bhavan. Though the important part occupied by agriculture in the national economy has never been denied, our farmers have been in the shadows since cultivation is still largely of the subsistence variety. The first Five-Year Plan saw no large-scale change in that position since the emphasis had been on increasing food production to solve the recurring scarcity and no major changes in the rural set-up which might have brought the farmers to the market were contemplated. In the second Plan, however, while agricultural output as a whole is expected to go up by 18 per cent, food production will rise by only 15 per cent, while increases programmed for commercial crops vary from 25 to 30 per cent. Which all mean that of the additional output envisaged a larger part is intended, by its very nature, for the market.

Of the additional production planned, a large part is to come through higher productivity, this being a comparative shift from the first Plan in which larger output was the primary goal. This is not to deny that farm productivity has gone up. The average yield per acre of almost all the important crops has gone up, but yields are still far below what have been achieved in more advanced countries. Part of this gap is to be made up in the next five years. This can be seen from the fact that the additional ten million tons of foodgrains envisaged by 1960-61 is expected to be realised from the following sources: Major irrigation: (2.4 million), Minor irrigation: (1.8 million), manures and fertilizers: (2.5 million), Improved seeds: (1.8 million), Land reclamation and development: (0.8 million), Improved techniques: (1.5 million). This is to say, only 0.8 million tons, or just 8 per cent, is expected to be realised from more extensive cultivation. The other 92 per cent is to be obtained through increasing productivity on the existing acreage, indicating a 14 per cent increase in overall productivity. The programmes to realise a higher output of other agricultural commodities, it can be stated, are no different in their emphasis on higher productivity.

There is no logical reason why this extent of improvement in productivity should not be realised in the next five years. It is certainly not beyond the bounds of possibility. There is a large amount of truth in what the President said at the Farmers' Forum—that there is no basis for the belief that Indian farmers are conservative by nature and that, therefore, it is difficult to popularise new ideas and practices among them. The fact that cultivators have readily taken to the Japanese method of paddy cultivation and even experimented these methods with other crops, as they have done in Bombay, is evidence of this. What is needed to make them aware of better practices and better methods is proper publicity for the results achieved by the agricultural research institutes at the village level. But, though this will ensure knowledge among the farmers of better techniques, it will not secure the automatic adoption of the new methods, because of the resources needed by

farmers depending on increased provisions for extending credit facilities through co-operatives. The targets for short-term, medium-term and long-term credit have been fixed at Rs. 150 crores, Rs. 50 crores and Rs. 25 crores respectively, compared to Rs. 30 crores, Rs. 10 crores, and Rs. 3 crores in the first Plan. This programme is to be supplemented by a country-wide scheme for co-operative marketing and warehousing, which will enable agriculturists to obtain easy, cheap and timely credit on the basis of warehouse receipts.

A further spur will be the crop competition schemes organised by the Central and State Governments. Unlike at present when the schemes are confined to only some of the better-off individuals who can afford to concentrate on one or two plots of land without being deterred by the expense involved—though the outturn may not be incommensurate with the input—the development plans included in the second Plan should, by making facilities for betterment available more generally, enable a genuine and fairer competition in the setting up of productivity records. But these records should cease to be records as they tend to remain at present and come to represent the ordinary performance of every efficient cultivator.

It is possible that the better-informed sections of rural society will wonder whether higher output and higher productivity—the latter involving a somewhat higher average outlay in some instances—will not all go to waste should agricultural prices fall seriously as they threatened to last year or if the rains should fail, involving the cultivators in heavy loss. The fear of a crash in prices can be ruled out in view of the higher per capita income contemplated, which will also go up by 18 per cent, in the same proportion as general agricultural output. In any event, it is clearly not possible to extend the area under crops to keep pace with the increase in population, which is rising in our country at the rate of one per cent per annum, the population doubling in 70 years. But on the side of intensive cultivation the scope for raising productivity seems almost limitless.

Increasing productivity depends not only on the adoption of better techniques but also on the wider use of fertilizers and better seeds. The country will have to depend on its own fertilizer output since availability overseas is likely to fall with widespread interest in all countries in increasing agricultural output. The second Plan has provided for this, however, and fertilizer production is to be more than quadrupled in the next five years. The farmer can make up for the non-availability of more fertilizers by greater conservation and use of organic and green manure. Developments in the past few years, particularly since decontrol, suggest that a great deal can be left to the initiative of the farmer himself, for the Indian rural scene is witnessing the emergence of the business farmer producing for the market. This trend will undoubtedly receive a fillip from the second Plan. The formation of the Farmers' Forum and the holding of the National Convention are the first signs of a growing awareness among our farmers of the wider possibilities open to them to improve their condition and of their wider responsibilities to society in cajoling land to yield more than it is now doing.

THE WEEK'S NOTES

NEW SET-UP FOR THE PUNJAB

THE CENTRAL GOVERNMENT'S scheme on the new administrative set-up for the reorganised Punjab has been published and has been well received in all quarters, as far as can be judged at present. Like any other State, the Punjab will have a single Legislature, one Governor and one Cabinet responsible to the State Assembly for the whole field of State administration. Representations have been made that there should be only one High Court and one Public Service Commission, and the Home Minister, Mr. Pant, has stated that he has no objection to it. There is no point in having two High Courts with jurisdiction over the two regions of the State, which can sometimes give rise to anomalous decisions, arising from conflicting interpretations of the law.

The proposed Regional Committees will consist of all M.L.As. from the region, including Ministers but excluding the Chief Minister, and will examine legislation on 14 specified subjects, dealing mostly with local matters, before it is passed by the Assembly. The Committees can also make proposals for legislation and submit recommendations on general policy not involving any additional financial commitments except of a routine nature. The suggestions of the Committees in the sphere allotted to them will be normally accepted by the Government, but, where there is a difference of opinion, the Governor's decision will be final and binding. Since the members of the Regional Committees will be bound by party discipline, occasions for conflicts will be few, unless the ruling party happens to be in a hopeless minority in one of the Regional Committees.

The Punjabi and Hindi-speaking zones are to be demarcated soon in consultation with the State Government and other interests concerned. The official language in each region, at the district level and below, will be the regional language, while in the State as a whole both Punjabi in Gurmukhi script and Hindi in Devanagari will be official languages. The Central Government has taken upon itself the task of encouraging the growth of the Punjabi language. These provisions are certainly calculated to assuage even the worst fears of either community, and there would be, one hopes, no further controversy over the choice of the capital, just as other points at issue are nearing solution.

INDIA AND YUGOSLAVIA

THE SIGNING of a trade agreement between India and Yugoslavia last week should further strengthen the ties already existing between the two countries. Apart from an increase in trade, the agreement envisages closer co-operation in the technical and scientific fields through the provision of technicians and training facilities and supply of equipment and machinery. The leader of the Yugoslav delegation, Mr. Martini Cetinic, has offered his country's assistance in the improvement and expansion of shipbuilding and in the construction of ports. The agreement now signed provides for payments settlements in either Indian rupees or pound sterling according to convenience. The character of the exchange of goods contemplated as disclosed in the schedules to the agreement point to a readiness on Yugoslavia's part to assist in India's industrialisation since our main imports will be industrial and electrical machinery and transport equipment. Yugoslavia can also lend the services of experts in the manufacture of electrical plants and machine-tools and would like to have the advice of Indian irrigation engineers.

Apart from the direct and indirect assistance in industrialisation, Yugoslavia has also promised to help

India in building up a fleet of merchant ships. Mr. Cetinic has asserted that the cost and quality of ships built in his country compare well with world market prices. The necessity for India to have a merchant navy of her own for both strategic and economic reasons is being increasingly realised, and two of the factors standing in the way of the acquisition of a larger tonnage have been the huge initial investment in foreign exchange needed and the delay in the fulfilment of orders for ships. The Yugoslav Government has promised to use its influence with the shipyards to give priority to Indian orders and to ensure that deliveries are made in time. It should not also be impossible to arrange for some system of deferred payment which will relieve India of the burden of having to find a big foreign exchange surplus in one lump sum.

HIGHER EDUCATION FOR RURAL AREAS

THE PROBLEM of what type of higher education we should provide for the rural people is one which has yet to be solved by the Government in India. It has become obvious that the training our universities now impart, which is usually theoretical, is not exactly suited to the requirements of people who have to go back to the villages, for which a more practical turn of mind has to be cultivated. The first step in providing a truly rural higher education for rural pupils has been taken by the Government of India with the inauguration of the National Council for Rural Higher Education by Dr. K. L. Shrimali, the Union Deputy Minister for Education, to advise the Government on the development of higher education in rural areas. Ten institutions have also been selected for being developed into rural institutes.

A distinctive and highly commendable feature of these institutes is that they will provide part-time employment to their students on farms or in some other kind of productive work to enable them to meet at least part of their expenses during the course. Without this facility to earn while learning, the rural institutes might at best have deteriorated into institutions where most of the students belong to the upper rural classes and have come just for the sake of undergoing an education and not with any higher motive of making their training help in rural development; at worst, they would have failed altogether in attracting a sufficient number of students.

In fact, it is the craze for university education which has spread even to our villages which will create an initial prejudice against the rural institutes. This desire for degrees cannot be explained except in terms of the higher social status they are supposed to confer. But, if the universities respond to the Government's request to treat the diplomas conferred by these institutes as equivalent to the B.A. degree, the institutes will improve their standing with those sections of the rural population who send up their children for higher education. At the same time pupils can also be recruited from other sections since the question of the cost of education will not be important, so long as the families affected can go without the meagre earnings which another earning dependent can bring in.

ECONOMISTS AND POLICY-MAKING

EVER SINCE the years of the Great Depression economic analysis has come to play an increasing role in the shaping of administrative policies and decisions, conferring on the professional economist a great deal of influence in policy-making. India has been no exception to this. In particular, the Indian economists' sphere has been expanding since the country launched

on a programme of planned economic development. The tendering of advice on economic affairs, if not the advice itself, has been systematised not only by the setting up of 'ad hoc' bodies but also by more permanent arrangements such as the constitution of the Panel of Economists to the Planning Commission.

It is true, as Mr. D. L. Mazumdar pointed out the other day, that while the contacts between economists and administrators have been of mutual benefit, they have not always felt reasonably satisfied with the results of such contacts or exchange of ideas. The difficulties, as he rightly diagnosed, arise from the basic hurdles in the way of the application of economic analysis to practical administrative problems, or, in other words, from the limitations of economics and the handicaps under which economists have to function. The economist cannot get over his handicaps by technical qualifications of a high level of competence, for there are imponderable factors, like human behaviour, in economic affairs, which can be sensed only by an amalgam of logic and intuition and wide knowledge of economic facts (on which Lord Keynes laid emphasis, himself representing the best combination of all these attributes).

Part of the difficulties of economics, of course, arises from the defective educational system which emphasises the acquisition of knowledge of the higher tools of economic analysis to the detriment of providing the students with a surer grounding in basic principles, which alone can help economists to see some pattern in the confusing play of events portrayed by figures and curves. The comparative ease with which economics can be learnt even outside universities has put the professional economist at a disadvantage, and in trying to prove his "expertness" he tends to rely on mathematical formulas even in situations as in India where they are inapplicable. If the economist in India is to be more effective than he is today, it is essential he should realise that he cannot shun the market-place.

NEW BRITISH INDEX OF RETAIL PRICES

BRITAIN HAS gone over to a new index of retail prices based on January 1956 prices and on the pattern of spending in 1953 as revealed in the report on the household budget enquiry of the Cost of Living Advisory Committee. The index until now in use largely measured changes only in the prices of the things bought by working class households, and the consumption pattern assumed was what prevailed before the war, though there was a modification in 1952 on the basis of an estimated pattern of working class consumption in 1950. The new index, though broader based, excludes households whose head has a gross weekly income of £20 or over and households depending entirely on national insurance pensions or assistance. On the whole, however, it covers 90 per cent of the households.

The change in the base year has had certain important consequences. Food and fuel receive smaller "weights" than before, the former falling from 40.0 per cent to 35.0 per cent, while clothing, household goods and transport claim more. About 80 new items are brought within the purview of the index, making the total 350. The costs of television sets, washing-machines, second-hand cars and telephones are now included, as also better quality foods formerly not consumed by working class families. Within the food group itself, meat has improved its position at the expense of others.

It has been contended that the overweightage given to food in the old index exaggerated the real rise in prices in recent years, since it is the price variations in food and fuel and lighting since 1952 which have pushed up the index. But, with all the changes made in the new index, the British Ministry of Labour has

come to the conclusion that, if the new set of weights had been used, the result would have shown a difference of only one point. However, the usefulness and reliability of the new index is bound to be greater in the future. The new index has also shown that there is no truth in the claims of trade unions that changes in the old index bore no relation to shifts in the cost of living.

THE GOLD WEAPON IN THE SOVIET ARMOURY

OF LATE Soviet economists have been paying attention to the problem of multilateral convertibility and the role of gold in international payments. Professor Smirnov has pointed out that gold is a world currency with the function of a general medium of payment. It is, therefore, being used by the Soviet Union as a foreign exchange reserve and, if necessary, certain amounts of gold are sold abroad in order to restore equilibrium in the balance of payments or to finance additional purchases. Professor Smirnov recognises the important role gold can play in correcting maladjustments arising from the execution of Soviet economic plans and in extending economic aid to other countries. The huge gold reserves which the Soviet Union is now reported to possess have been entirely accumulated from internal production, unlike those of the United States which have benefited from foreign payments. Since Russia's own gold production is considerable, the prospect of the Soviet Union attempting to alter the pattern of world trade at some future date by unloading her stocks cannot be ruled out. This possibility, it must be emphasised, has received insufficient attention mainly because the US as well as the sterling area is a big producer of gold.

The problem of convertibility is also defying a solution because gold has to provide the basis for it and it is unequally distributed among the several countries. Writing in the official journal of the Soviet Ministry of Foreign Trade, Mr. F. Ivanov has expressed the view that any restoration of multilateral convertibility will be of limited duration as it will lack a firm material basis. Parities in relation to gold will continue to be artificial, instead of being determined by an effective rate of exchange. Mr. Ivanov comes to the conclusion that free convertibility cannot work since, with the exception of the US and Switzerland, no country has adequate gold reserves to withstand temporary or seasonal fluctuations in the balance of payments. He correctly points out that currency convertibility will not be stable so long as there are disequilibria in the payments balances of various countries, with fluctuation in the purchasing power of currencies with every fluctuation in commodity prices.

FUTURE OF SINGAPORE

WITH MALAYA firmly set on the road to freedom, the future of Singapore is to be settled at a conference in London to be held in the next few weeks. In preparation for it, Mr. David Marshall, the Chief Minister, has formulated certain proposals and secured the agreement of most of the parties in the island at a conference summoned by him. Mr. Marshall rightly wants the relationship between Singapore and Britain to be settled for the foreseeable future. His insistence that internal security cannot be left in the hands of Britain is understandable, though he is willing to give Britain the right of intervention in emergencies. That this provision has received all-round support among Singapore's political parties shows that the difficulties which the city will have to face have not gone unrealised. External political relations, other than in trade, will be the concurrent but paramount responsibility of Britain, and external defence her exclusive responsibility. It cannot be gainsaid that these proposals provide a real basis for agreement. There are other problems like citizenship to be solved, but these can be tackled once the basis of transfer of power is settled.



*it's a **BIG** job...*
prospecting for oil

Crude oil is not found everywhere in the world. Here and there it may occur in rocks that were once at the bottom of ancient seas and lagoons. But finding an old sea-bed is no guarantee that oil will be discovered there; that can be decided only by drilling a test well.

In some areas, likely clues to buried rock conditions may be found on the surface of the earth, but where surface features are absent, as in the Assam Valley, the search for oil possibilities is aided by geophysical surveys.

Three different methods of geophysical surveying for oil are being employed by the Assam Oil Company to "feel" for suitable

rock conditions under the Brahmaputra's thick blanket of Alluvium.

By aeromagnetic, gravity and seismic surveys, scientists can form a picture of the type, depth and attitude of buried rock layers.

But none of these can point to oil—even if it is there. The scientists, after studying the results, can only say—there *may* be oil there. The only absolute way of finding out is to drill a test well. Frequently the answer then is—no oil. The prospector must try again elsewhere... and so the search goes on, in the hope that India's petroleum requirements may be supplied to an ever increasing extent from her own resources.

ASSAM OIL COMPANY
does it all

PROSPECTING • DRILLING • PRODUCING • REFINING



A member of the
Burmah Group of Oil Companies

**FLY TO
Tokyo**

a flight every Thursday, every Sunday

BUSINESS in Japan: Fly there and settle it on the spot. Our twice-weekly service enables you to get there and back — all in seven days!

It's Constellation luxury, now with Slumberette...courteous hostesses to look after you. Stop over in Bangkok and Hong Kong if you wish — at no extra cost.

- Flights on Thursdays and Sundays
- Constellation comfort
- Choice of Tourist or Luxury Class

AIR-INDIA  *International*

9-A Connaught Place, New Delhi
Tel: 40503

A Window on the World

INQUEST ON INCENTIVES

By
ODYSSEUS

WHO ARE THE PEOPLE in India who look forward to a rosy future, confidently, with buoyant spirits? Who awake to each day's dawn eager to launch themselves on a constructive, rewarding day's work, the objective of which seems to them within reasonable reach of attainment? How many are they?

Who are the people who rise indifferently to confront the day's toil as something to be got through with just enough conscientiousness to avoid trouble? To whom it brings no real satisfaction, to whom the objective, if any, seems to lie in so dim a future as to have no meaning or reality and to offer no incentive to joyous effort? How many are they?

To secure accurate answers to these questions is of the first importance for India's future, for ultimately that nation survives, thrives, and moves on to greater glories, spiritual and material, which contains the greatest number of individuals whose confidence in their own personal future stimulates them to improve the individual contributions out of which are made up the sum total of the nation's wealth, spiritual and material. And that nation languishes, slips backward into a brutish subsistence economy, disappears from history, like the empires of Vijayanagar or Rome, or is forced to lie prostrate under foreign rule, which contains a majority of individuals who view the future listlessly and accept with bowed heads and backs what seem to them the blows of inscrutable and inescapable fate.

So important is it that the answers to these questions should be scientifically ascertained that I urge some philanthropist, a Tata or a Birla or some institution like the Ford Foundation, to finance a suitable survey. Without this, one can only speculate. I propose therefore to speculate here in an effort to show the importance of such an investigation and in hopes of provoking any who may disagree with my speculations to support my plea for a scientific enquiry.

JOYOUS PLANNERS: DEPRESSED PRODUCERS

Who are the confident people, making their best individual contribution to India's forward march? Should they not, I wonder, be identified with those who are in a position to mould India's economic and social policies? How many are they? I doubt whether their numbers achieve a four-figure total. A handful of statesmen and politicians from Pandit Nehru downwards, key members of the Congress Party, a few score senior civil servants, secretaries to ministries, officially employed economists, administrators of state industrial projects and enterprises, an even smaller number of officially employed engineers in charge of the Five-Year Plan's technical development. On further reflection, would you not be inclined to guess that their total is in three rather than in four figures, nearer, say, 500 than 1,000?

Who, on the other hand, are those who see no rosy future for themselves and their families, who think of their work in terms of unrewarding routine, rather than of splendid adventure? Would they not include

all those from the topmost to the lowest levels in the industrial, commercial, trading, business, and professional classes (doctors, educationists, architects, barristers, etc)?

I guess that the politicians and the planners, and the officially employed, are happy and confident because they can congratulate themselves on having, so far any way, achieved something; they have made a real contribution towards India's renaissance since independence. Their interest and enthusiasm have therefore naturally been aroused. They have, in the economist's language, been offered incentives. But please note that the short list of those included among the confidently expectant is, with the exception of a handful of technicians, devoid of any actual producers: they are planners for others or administrators of others.

Where do we list the industrialists, the business and professional men who are the actual producers of wealth? Among the browned off, the frustrated, the dissatisfied, the cynical or the stoic. Why? Because their share of the carrots, of incentives, has been steadily whittled down since independence by taxation and by the general attitude towards them, mostly of suspicion, at worst of hostility, at best of somewhat grudging tolerance. Yet these are the people who are responsible for the production of the greater part of the goods and services that make up the non-agricultural sections of India's wealth. Our balance of payments depends not on the planners but on the entrepreneurs, the men who work for our great export industries, tea, jute, cotton, oils, hides, skins, spices, tobacco, ores, etc., etc. What percentage of earnings do our State controlled industries contribute to our balance of payments?

"Here you go again", says the tired Socialist in the back row, "re-hashing the same old sterile and futile argument of free enterprise versus socialism. Can't you see that that's all settled all water over the dam? What's the good of bringing it up?" I am not. My basic submission is that under either the free enterprise or the socialist system, you must have incentives to produce and to save.

This elementary proposition is elaborated in masterly fashion in an anonymous article entitled "The Dynamic Society", published in the "Times" (of London) Literary Supplement, dated February 24. I am able to reveal that this article, which has attracted widespread attention in the UK, was written by the economist, Graham Hutton.

USSR AND USA: WORLD'S MOST DYNAMIC ECONOMIES

Mr. Hutton points out that the two most dynamic, go ahead economies in the world today are those of the USA and the USSR, followed by those of Holland, West Germany, and Italy, and that the two least dynamic, least progressive economies are those of the UK and of France. The American and Soviet economies are lively because in both these countries the labourer is deemed worthy of his hire and is given,

and is allowed to keep, bigger rewards for bigger results. The Americans and the Soviets seek to raise their total national wealth so that everyone who contributes to it can have a bigger individual share.

Britain and France, on the other hand, whatever the professed views of their leaders, show themselves in their policies and deeds to be ruled by the ideal of a more or less static national income merely to be re-distributed. They shudder at the egalitarian concept of a rapidly growing national income to be distributed in whatever way is best to make it keep on changing and growing.

Mr. Hutton classifies China and India among the dynamic countries whose leaders consciously seek this rapidly growing national income by offering prizes to those who help to make it keep on growing. I know nothing of China, but is he right about India?

It is, of course, true that India's national income and productivity has risen in spectacular fashion since independence, but I throw out the thought for debate, and refutation if need be, that this has been due partly to the initial enthusiasm generated by the consciousness of independence among individuals in a position to influence policies and partly by the setting free of the economy from the various restrictions which prevented its full and uninhibited exploitation prior to August 15, 1947. But the effect of these two factors must diminish with each year that passes. Far from plumping for the American and Soviet technique of big individual rewards for big individual efforts, we have heightened and tightened income-tax, virtually eliminated all special rewards in the shape of allowances, medical facilities, free cars, houses, etc., have reduced civil service and ministerial salaries and amenities, and are talking of setting a top limit on all incomes. In these circumstances, the initial enthusiasm and impetus derived from the inauguration of independence must wear off and the advance slow down—especially if the danger of inflation from the Five-Year Plan materialises, for if everyone is on a fixed income, all the leaders, civil servants, business and professional men alike, on whom our economic advance depends, would, by inflation, have their share of goods and services progressively decreased.

We can have sufficient confidence in the intelligence of our rulers to believe that they will (sooner rather than later) recognise that incentives are essential to ensure a growing (as opposed to a static) economy. But there is a further prospect then to be faced. If the incentives are reserved, as in the USSR, for the members of one party, for civil servants, officials, and administrators, and if the antipathy to non-officials, industrialists, business and professional men, that exists today, persists, then democracy, the free society in which the individual has rights, must disappear from India and totalitarianism slip in by the back door. For it seems reasonable to suppose that if today's handful of people in positions able to influence policy were to find that their lives were slowly but surely becoming economically more and more difficult owing to inflation and the much mooted ceiling on incomes, they would be but human if they used their privileged positions to stage a totalitarian revolution, which would probably be imposed in almost imperceptible degrees by one unobtrusive gazette notification after another, until we woke up one morning to find that the bureaucracy and the "public sector" had become all powerful.

Our discussion this week has but served to scratch the surface of the basic questions: What makes an economy static or dynamic? What makes it decay or grow? How can it ensure the accumulation of those fresh savings without which no expansion, no innova-

tions, can take place? Under the general heading "Inquest on Incentives", I propose to try during the next few weeks to throw further light on this, the most important problem of the contemporary world for every society, capitalist or socialist.

THE EASTERN ECONOMIST PUBLICATIONS

	PRICE Rs.As.Ps.
The Economic Progress of Russia, 1860-1948 by E. P. W. da Costa	1 8 0
India's Foreign Trade: Part I by L. K. Jha	1 8 0
The Welfare State by T. W. Kent	1 0 0
Japan's Post-War Industrial Recovery by Sherwood Fine	1 8 0
Radical Humanism by M. N. Roy	1 8 0
What Goes on in the U.S.S.R.? by "Odysseus"	1 4 0
Communism and India by Philip Spratt	1 8 0
India and The Free World	0 8 0
India's Food Problem by P. A. Gopalakrishnan	1 4 0
A Programme of National Education for India by Humayun Kabir	0 8 0
Deficit Financing, Capital Formation and Price Behaviour in an Under-Developed Economy by V. K. R. V. Rao	1 8 0
Sea Power in the Indian Ocean by C. S. Venkatachar	0 8 0
Gold and Its Price by Arthur H. E. Taylor	0 8 0
International Capital Movements by C. M. Palvia	1 8 0
Goods Transport and the Plan by B. V. Vagh	1 0 0
India in Asia by E. P. W. da Costa	1 0 0
Company Finances in Indian Industries by S. K. Chaudhuri	1 0 0
A Lecture on the Dollar Problem by Donald MacDougall	1 0 0
The Economic Development of South- East Asia by E. P. W. da Costa & K. Rangachari	1 0 0
Asia between Malthus and Marx by Raymond Aron	0 8 0
Road Transport in India by B. V. Vagh	1 0 0
The Public Sector by Dr. N. Das	1 8 0
Post-War Industrial Relations in India by R. C. Goel	1 8 0
Geographical Realities of India by C. S. Venkatachar	2 0 0

ANNUAL NUMBERS

India 1948—A Political and Economic Report	3 0 0
India 1900-1950 and India in 1949	5 0 0
India and the World and India in 1950	5 0 0
"A Social History of the Indian People" and India in 1951	5 0 0
"India and the Free World" and India in 1952	5 0 0
"India in Asia" and India in 1953	5 0 0
India in South-East Asia and India in 1954	5 0 0
India and the Communist World in 1955	5 0 0

POSTAGE EXTRA

Copies can be had from all important
booksellers or direct from

The Manager

The Eastern Economist Ltd.

52, Queensway, New Delhi

BOOK REVIEWS

THE ONE-WORLD OUTLOOK

World Commerce and Governments—Trends and Outlook: By W. S. Woytinsky and E. S. Woytinsky:
The Twentieth Century Fund: New York 1955:
888 pages: Price \$10.00

American philanthropic foundations have now launched on a bold programme of financing research projects dealing not only with individual problems of particular countries but also with the overall surveys of world trends and prospects in which there is an increasing interest due to a growing "one-world" consciousness. The Twentieth Century Fund issued in 1953 the first massive volume, taking the whole world for its theme under the title "World Population and Production"; and that book has become a 'vade mecum' for every thinker on world economic problems. The book under review is a companion volume which completes the other aspects like the organisation of trade, tariffs and payments, transportation of all types and systems of government.

The authors, Mr. W. S. Woytinsky and his wife, have shown themselves eminently qualified to plan and execute a work of this tremendous range because of their first-hand knowledge of American and European countries and their extensive travel elsewhere. It is remarkable that this volume of 888 pages, strewn plentifully with statistical tables, graphs and charts, has been prepared without the help of research contributors or collaborators. The Rockefeller Foundation and the Twentieth Century Fund which have financed the project and administered it jointly with the Johns Hopkins University have made a wise choice of both of the theme and its authors. A notable feature of the illustrations is the adoption of the new technique of emphasis by "distortion". For example, the comparative facts of population or income or of other factors are highlighted by drawing maps of countries according to their largeness or smallness in these particular matters, 'distorting' the existing scale but with dramatic effect. The system makes for forceful comparisons though it produces a number of very odd-looking maps.

The book is not a mere survey or tabulation of facts. It surveys trends and compares the position of various countries at various points of time so as to bring out in full force the changes that have taken place as a result of two wars and sustained economic development in certain countries. Many significant points emerge. It is shown that one out of ten gainful workers in the world as a whole is engaged in trade as compared with the United States' ratio of one for every six. Foodstuffs represent 20 per cent of the total value of the world's trade, the rest being equally divided between industrial materials and manufactured goods. A chapter on international investments shows the decline of Great Britain from her position as the greatest creditor nation in the world before World War I to a second place below the United States which had stood fourth in 1914.

The most fascinating sections of this survey are those relating to transportation which show the number of miles of railways, roads, cars, ships and airlines. India emerges as the third largest railway system in respect of total route mileage after the USA and the USSR. India is also the third in carrying the heavies, passenger traffic in the world after the USSR and Japan, even the USA closely following India as the fourth. Such interesting comparisons could be multiplied, but they can be better grasped by a direct study of the book which has been written without making the various data look commonplace or dull.

The third section of the book classifies the various types of Governments, their systems of election, the colonial empires, the financial position of Governments and the institutions for international co-operation. It is the use of the historical approach that is the distinguishing characteristic of this book which can be used very widely with profit.

THE LIBERAL ECONOMIST

Economics and Liberalism: Collected Papers of O. H. Taylor: Harvard Economic Studies: Vol. XCVI.
Price \$5.00

A collection of occasional writings over a long career would often suffer from the lack of a theme which confers character on a book and in this respect Mr. Taylor's book has not proved an exception. The author himself concedes it in a long introduction which gives the background to the articles published at various times and his own present attitude to some of them. But the book has considerable value as a case history of the evolution of a liberal rather than that of an economist. "Various internal tendencies and external influences", he says, "seem to have combined long ago to make me a belated specimen of a now nearly extinct intellectual 'species'—an old-fashioned, philosophical political economist, with interests extending far beyond the limits of 'economics' as now commonly conceived...." Here is sarcasm in the most euphemistic terms; the intellectual background of classical liberalism and social thought fits less and less the econometric age of measurement, which has gone far in the United States.

A Liberal, who finds himself removed not only from the main stream of what passes for economic thought but also from the American business men's conceptions of "free enterprise", may not have much scope left. The book is a commentary on this Liberal economist's declaration: "I simply cannot do as others now do—jump directly into special problems of economic policy, with only an economist's equipment and my basic personal predilections left in the state of being merely unexamined prejudices." The result is a continuous reevaluation of assumptions and revision of conclusions, revealing a high degree of intellectual honesty which often fails to record by the side of those who can easily identify themselves with the certitudes of the prevailing philosophy.

Running through this collection of writings is the thread of doubt created by the consciousness of the imperfections of the old doctrine and the inadequacy of the new in correcting them. "Strict laissez-faire" the author observes, "does not follow from my argument and is not, I think, a tenable ideal for the present and future.... A limited number of limited policies of State intervention to help in solving special problems are necessary.... But it needs careful conservative handling and safeguarding both from political pressures and from the visionary enthusiasms of some of the relatively socialistic or politically ambivalent Keynesian economists". And Mr. Taylor utters a profound truth when he says that irrational management of economic affairs creates conditions that create new demands for new interventions till the process leads to an over-expansion of the powers of the State. This has been the Liberal's nightmare; of late, however, there is a clearer perception of this danger even among the doctrinaire interventionists of the West; though in India they are having their heyday unperturbed.

Economic Report from the U.S.

AMERICA AND WORLD TRADE

(BY GUY SIMS FITCH)

NEW YORK, April 3.—The outlook for world trade this year is deemed highly encouraging by the men who direct foreign sales for American manufacturers. The consensus among the 900 business men who last week attended the annual convention of the Export Managers Club of New York was that economic progress around the world is likely to continue. Consequently, they expect new and larger markets to open up to world trade in the United States and other countries. Almost without exception, every delegate polled reported that his company's export volume so far this year has been running ahead of last year's rate. In 1955, commercial exports from the United States—shipments exclusive of goods sent abroad under the US Government's Mutual Security Programme—jumped by \$1,400 million to a total of better than \$14,200 million.

American purchases of goods from other countries figure large in the export managers' optimistic appraisal. Last year, US imports expanded by more than \$1,200 million to set a record of nearly \$11,500 million. These purchases helped other countries earn the dollars with which to finance their purchases from the United States. To these import earnings must be added the income other countries received from American private investment, tourist spending, and government grants. These and other balance-of-payment factors enabled other countries to add \$1,500 million to their net holdings of gold and dollars. As a result, total currency reserves abroad are stronger than ever, and most countries are in a position to step up their purchases from the United States. Available statistics so far this year bear out the views of the export managers. In the first two months of 1956, commercial exports from the United States came to \$2,450 million, about 10 per cent more than in the corresponding months of 1955. US imports, meanwhile, have been expanding even faster than exports. In January, the latest month for which data are available, US imports reached \$1,045 million, an increase of more than 20 per cent over the January 1955 level. And customs receipts for February indicate an import total nearly as high as in January.

Unless some unforeseen setbacks are encountered, therefore, both import and export totals this year are likely to surpass the 1955 records. Most of the American exporters anticipate a rise of from 5 to 10 per cent this year in US trade with the rest of the world. In assessing the 1956 outlook, American export managers are favourably impressed by prospects in every part of the world. They see shipments to Western Europe at least maintaining the high 1955 level of \$4,000 million, with signs indicating a continuance of Europe's current prosperity. They anticipate another increase in American exports to Canada, which last year bought \$3,200 million worth of American goods in the wake of a significant rise in consumer purchasing power.

The exporters also point to the growing requirements of Asia, Latin America, Africa and the Middle

East areas where large-scale economic development projects are under way. These areas need especially machinery and other capital equipment to speed industrialization projects. These are goods in which the United States has a highly developed industry. In 1955, US export volume of these capital goods was about three times as large as, for example, 30 years ago. They now represent nearly 27 per cent of total US exports, compared with little more than 16 per cent in the 1926-30 period. The biggest advance has been made in industrial machinery, including such items as construction and mining equipment, machine tools, engines, pumps and turbines. This export trend is likely to continue this year and the years ahead. As economic progress accelerates in newly developing areas, demand for capital equipment is likely to grow rather than diminish.

NEW CENTRAL JUTE MILLS COMPANY, LTD.

NOTICE is hereby given that the Annual General Meeting of the shareholders of the Company will be held on Monday, the 14th May, 1956 at 4-30 P.M. at the Company's Registered office, 11 Clive Row, Calcutta to receive and adopt the Directors' Report and the Audited Statement of Accounts for the year ended December, 1955, to declare final dividends, to elect a Director in place of the retiring one and to appoint Auditors for the current year and fix their remuneration.

The Share Transfer Books of the Company will be closed from 5th May, 1956 to 14th May, 1956, both days inclusive.

By order of the Board.

SAHU JAIN LTD.,

Managing Agents.

CALCUTTA,

29th March, 1956.

N.B. A member entitled to attend and vote at the General Meeting is entitled to appoint another person as his proxy to attend and vote instead of himself and the proxy need not be a member.

WORLDGRAM

AGRICULTURE

Bombay Tenancy and Agricultural Lands Bill: The President gave his assent to the Bombay Tenancy and Agricultural Lands (Amendment) Bill 1955, on March 16. The policy of the Government of Bombay in the matter of land reforms has been to remove gradually all intermediaries, so as to make the tiller the occupant of the land. The present Bill for the amendment of the Bombay Tenancy and Agricultural Lands Act, 1948, is a further step in this direction. The Bill defines an "economic holding" as a holding between 4 and 16 acres, depending on the class of soil. The "ceiling area" has been fixed at three times the economic holding.

Redgram Crop in Madras State: The area sown with redgram in Madras State up to December, 1955, is estimated at 163,000 acres. Compared with the area of 161,500 acres estimated for the corresponding period of last year, this is an increase of 0.9 per cent. The present estimate is more than the average area of 158,700 acres for the five years ending 1954-55 by 2.7 per cent. The crop has been harvested in most of the districts. The yield per acre is expected to be below normal in all districts of the State. The seasonal factor for the State as a whole works out to 93 per cent of the normal as against 97 per cent in the corresponding period last year. On this basis the total yield works out to 22,800 tons of cleaned grain. Compared with the yield of 23,400 tons of cleaned grain estimated for the previous year present estimate shows a decrease of 2.6 per cent compared with the yield of 19,900 tons of cleaned grain calculated for the five years ending 1954-55, this is an increase of 14.6 per cent.

World Dairy Congress: The Government of India will participate in the fourteenth International Dairy Congress which is scheduled to meet in Rome in the last week of September, 1956. The Congress will provide an opportunity to dairy workers and organisations in different countries of the world to meet and discuss problems of common interest. The topics selected for discussion at the sectional meetings and at the main conference relate to problems of milk production, manufacture of milk production and consumption of dairy products in various parts of the world and programmes for increasing milk consumption in underdeveloped areas.

INDUSTRY

Rubber from Gas: The making of synthetic rubber from natural gas is one of the projects for which the State-owned Ente Nazionale Indrocarburi has been authorised to float a loan for 60,000,000,000 lire by the Italian Government. Fertilisers are to be produced from the same basic material. The plant at which this work will be carried out will be in Ravenna. The loan, to be issued in equal amounts in each of three years, will also be used to push ahead with more oil hunting in central and southern Italy.

Standards for Toluole and Toluene: The Indian standard specifications, one for toluole, industrial, solvent grade, and the other for toluene, pure, nitration grade, have just been published by the Indian Standards Institution. These standards prescribe the requirements and methods of test for the materials. A distinction of nomenclature is introduced with the publication of these two standards; the commercial name "Toluole" is retained for the industrial solvent grade of the material, while the more correct scientific name "Toluene" has been introduced for the pure grade.

Plans for Electricity Development: The per capita generation of electricity in India registered an increase of more than hundred per cent between 1938 and 1953, according to the hand book "Planning for Power Development in India". The average monthly generation of 283 million kilowatt hours (kWh) of power in 1938 rose to 536 million kWh in January, 1953. During the same period, the per capita generation in the United States and the United Kingdom increased by 150 per cent. The booklet indicates that according to recent surveys completed by the Central Water and Power Commission, India has an approximately hydro-electric power potential of 10.5 million kWh. at 60 per cent load factor.

Water, Gas and Sewage Pipes Draft Standard: A draft Indian standard specification for water gas and sewage pipes (vertically and centrifugally cast) and specials for use with them has been prepared by the Indian Standards Institution and issued for eliciting comments. The draft covers the requirements for cast iron pipes with spigot and socket, for water, gas and sewage, manufactured by one of the following processes: centrifugally cast in metal moulds, centrifugally cast in sand moulds and vertically cast in sand moulds.

Packing Charges for Cement: On March 27, 1954, the Government of India announced that Packing charges for cement would be fixed every quarter on the basis of the overage of the maximum and minimum market prices for packing materials during each week of the immediately preceding nine months plus Rs. 1-4 per ton to cover incidental charges. On this basis, packing charges for the current quarter were fixed at Rs. 13-7 per ton. The packing charges for next quarter commencing from April 1, 1956, work out to Rs. 13-4 per ton. The Government of India have informed all the State Governments of the revised packing charges. The above packing charges are applicable to cement packed in new bags only. Packing charges for cement asked in old bags will be a matter for settlement between the buyer and the seller subject to the maximum indicated above.

TRADE

Indo-Italian Trade: India's import and export trade with Italy in 1955, totalled Rs. 16.89 crores and Rs. 5.59 crores, respectively, as compared with Rs. 17.71 crores and Rs. 3.75 crores respectively in 1954. During the period January-March 1955, it amounted to Rs. 2.51 and Rs. 1.77 crores respectively, as against Rs. 4.22 crores and Rs. 1.39 crores respectively in the same period of 1954. Export of raw wool from India is increasing, while Italy's total imports of this product during the past few years have actually decreased. There are some items the imports of which from India into Italy have remained more or less same as tea, drugs, spices and yarns of vegetable fibres (cotton excluded).

Foreign Sea and Air-Borne Trade of India in February, 1956: The provisional figures of foreign sea and air-borne trade of India on private and Government accounts during February 1956, according to data so far available in the Department of Commercial Intelligence and Statistics, Calcutta, are as follows: Merchandise, excluding transit trade of Pakistan but including that of other land frontier countries: Exports Rs. 50.12 crores, re-exports Rs. 74 lakhs (transit trade—nil), Imports Rs. 64.64 crores (transit trade Rs. 2 lakhs): Total trade Rs. 115.5 crores. Treasury: Exports of currency notes Rs. 14 lakhs, Others—negligible. Imports of currency notes Rs. 1.61 crores, others—negligible. Balance of Trade: The merchandise import figures are

exclusive of the value of certain consignments of Government stores awaiting adjustment. Subject to this deficiency in import figures and to the exclusion of figures for transit trade, the total value of exports (including re-exports) or merchandise gold and silver fell short of imports by Rs. 13.76 crores.

Trade Between India and Japan: It is reported, Japan's trade with India has recorded a steady expansion during the past few years; recently, India's implementation of the Five-Year Plan has resulted in a spectacular advance for Japan's heavy chemical and industrial products on the Indian market. Principal exports are steel products and rolling stock as well as soda ash and caustic soda. As far as Japan's imports from India are concerned, cotton and raw materials, and metal ores, constitute the main imports. An increase in exports of Japan's capital goods is expected along with the realization of India's industrialization. At present 15 or 20 economic technical co-operation projects are underway between Japan and India.

Import of Indian Sewing Machines: Forty-two countries including Aden, Australia, Afghanistan, Burma, Ceylon, Egypt, Gold Coast, New Zealand and Guatemala imported Indian sewing machines. This was stated by Shri T. T. Krishnamachari, Minister for Commerce and Industry in a written reply to a question by Shri D. N. Tiwary in the Lok Sabha. The Minister said that the Tariff Commission had estimated in 1954 that the production of sewing machines had exceeded the demand.

FINANCE

Loans for Mechanisation of Sailing Vessels: The question of advancing loans to owners of sailing vessels to enable them to effect mechanisation and hereby secure increased efficiency is being considered by the Union Ministry of Transport. During the past four years, the quantity of cargo carried by sailing vessels has been registering a steady upward trend. From 8,69,272 tons in 1951-52, the cargo lifted by sailing vessels has risen to 1,499,276 tons in 1954-55. The respective figures for 1952-53 and 1953-54 are: 8,11,529 tons and 9,25,515 tons. Taking an average rate of Rs. 15 as the freight per ton, the total freight earned by the industry during 1954-55 is estimated at Rs. 2.24 crores. With the appointment of three Regional Officers (Sails) at Bombay, Tuticorin and Masulipatam, the problems of this industry, which plays an important role in the transport system of the country, are being attended to more effectively.

Hyderabad Sica Currency: The Government of India, in consultation with the State Government have, further decided to extend the existing conversion facilities for a further period of six months from April 1, 1956 to September 30, 1956. According to the Hyderabad Coinage and Paper Currency (Miscellaneous Provisions) Act, 1953, the Hyderabad Currency ceased to be legal tender as from April 1, 1955. In order, however, to enable the public to exchange their holdings of Hyderabad Currency for Indian currency, the Government of India, had provided necessary facilities at all offices of the Hyderabad State Bank and Treasuries and Sub-Treasuries of the Hyderabad Government, for a period of one year from April 1, 1955, to March 31, 1956.

Madras Cotton Cloth Sales Tax Bill: The President gave his assent to the Madras Medium Cotton Mill Cloth (Sales Tax) Bill, 1954, on March 22. The Government of Madras have decided to levy additional sales tax on the first sale in the State of medium cotton mill-cloth at the rate of one anna three pies for every rupee. In the case of such cloth imported in the State either from

outside the territory of India or from any other State in India, the State Government proposes to levy the additional tax on the first sale effected in the State by a seller after the import of the said cloth into the State.

Grants and Loans for Development of Village Pottery: The Government of India have sanctioned further loans and grants for the development of the village pottery industry. West Bengal gets a loan of Rs. 34,000. Madhya Pradesh has been given a grant of over Rs. 20,000 and a loan of Rs. 3,500. Mysore gets a loan of about Rs. 6,000 and a grant of over Rs. 4,700 for the manufacture of roofing tiles. The All-India Khadi and Village Industries Board has been given a grant of over Rs. 2,250 for meeting the establishment charges of the model production centres at Khanapur and T. Kallupatti.

GENERAL

Expansion of Employees State Insurance Scheme: Nearly 85,000 employees will benefit under the Employees' State Insurance Scheme, which is being extended to 22 more areas in India shortly. These include 7 centres in Rajasthan, 4 in Madhya Pradesh, 6 in Saurashtra and 5 in Travancore-Cochin State. The scheme, which came into force in February 1952, at present covers 10.5 lakhs employees in 31 centres in the country. It is applicable to employees in perennial power using factories employing 20 or more persons. Employees drawing a salary up to Rs. 400 are covered under the Scheme.

Hyderabad Coal Mines Provident Fund Scheme: As a part of their expanded social security programme, the Government of India have framed a scheme called the Hyderabad Coal Mines Provident Fund Scheme for granting provident fund benefits to about 17,000 coal miners of Hyderabad State. The Scheme, which follows the pattern of the existing Coal Mines Provident Fund Scheme functioning in the coalfields of West Bengal, Bihar, Madhya Pradesh, Orissa, etc., has been made applicable to all the four coal mines of Hyderabad with retrospective effect from October 1, 1955, and collection of contributions would commence from April 1, 1956. Under the Scheme every employee whose basic wages do not exceed Rs. 300 per month and who earns a bonus under the Hyderabad Coal Mines Bonus Scheme is required to become a member of the Fund. The employees who have already been contributing to the employer's Provident Funds would, however, join the Fund straightaway from April 1, 1956. The Fund established under the Scheme would merge in that already functioning in respect of West Bengal, Bihar, etc. coalfields and would be administered by the Board of Trustees constituted for the existing statutory Fund.

Project Agreements between US and Government of India: The first twelve project Agreements against the technical assistance allocation of \$10 million for the fiscal year 1956 (July 1, 1955 to June 30, 1956) have been signed between the Government of India and the United States. The allocation provided in the 12 Agreements aggregates to more than \$2.5 million. The Agreements cover mainly provision of technical know-how needed for the implementation of the development projects. The 12 projects for which assistance is being provided include the establishment of a steel foundry at Chittaranjan, Centre for the study of the effect of thermal environment conditions, a project for the development of co-operative techniques in the production, processing and marketing of citrus fruits in India and a nation-wide campaign for the control of filaria. Other projects relate to social welfare work, improvement of agricultural methods, agricultural and home science extension and training, development of an inter-disciplinary curriculum in the field of educational administration, etc.

NEWS IN BRIEF

INDIAN

Over 10,000 villages and about 500 small towns are expected to be electrified during the second Five-Year Plan period under the programme of expansion of power facilities for increasing employment opportunities. The schemes of various States are estimated to cost about Rs. 90 crores.

The US has agreed to supply in 1956 steel to the value of \$22 million for requirements of the Indian railways.

The fifth session of the International Rice Commission of the Food and Agriculture Organisation would be held in Calcutta from November 12 to 17, 1956.

The President has given his assent to the Hyderabad Tenancy and Agriculture Lands (Amendment) Bill, 1955. The Bill seeks to amend the Hyderabad Tenancy and Agricultural Lands Act, 1950, in order to give greater security to Tenants.

The Indian Standards Institution has published an Indian standard specification for wrought aluminium and aluminium alloys, sheet and strip for general engineering purposes.

It is reported that all the missing links of the National Highway system in Orissa State will be constructed during the second Five-Year Plan period.

The Railways in India at present carry roughly one per cent of the country's total population every day.

An Export Promotion Council for tanned hides and skins, leather goods and tannery by-products is expected to be set up by the end of May or the beginning of June this year. The Council will have its headquarters at Madras.

The Expert Committee on Export Credit Guarantee Scheme, appointed by the Government of India, has extended the time by which replies to the Committee's questionnaire or memoranda may be submitted up to April 7, 1956.

The Government of India have sanctioned a further sum of about Rs. 59 lakhs (Rs. 43 lakhs in grants and 16 lakhs as loans) to the All-Indian Khadi and Village Industries Board for the development of the Khadi industry.

The Coal Mines Labour Welfare Fund has so far started 44 adult education centres for providing educational and recreational facilities to adult miners.

The Government of India have made a provision of Rs. 55.9 crores for payment of compensation to displaced claimants from West Pakistan during 1956-57.

The Geological Survey of India has discovered the occurrence of good quality limestone deposits of about 254 million tons in the Dehra Dun-Mussorie area in Uttar Pradesh.

The Sindri fertilizer factory exceeded its production target for the financial year 1955-56. During the year, the factory produced 3,26,062 tons of fertilizer which was 6,062 in excess of the target.

A sum of about Rs. 2 crores is proposed to be spent for the development of salt industry during the second Five-Year Plan period.

FOREIGN

It is reported world's labour force is 1,000 million people. Pakistan's labour force according to the same report is 22,600,000 made up of 21,300,000 men and 1,300,000 women whereas India's labour force is 139,300,000 consisting of 98,700,000 men and 40,600,000 women.

According to two Burmese journalists who were on a visit to East Pakistan on invitation from the Government, Burma has contracted to purchase gunny bags worth Rs. 2 crores from East Pakistan during the current year.

The Governments economic survey setting out Britain's economic prospects and policy for 1956 and a survey of the situation last year has been published as a white paper.

The Upper House Budget Committee approved recently the Japanese Government's Budget for the current year, involving an expenditure of 1,030,000 million yen.

Krupps has decided to go ahead with its Brazilian undertaking. An initial investment of DM. 30 million (£2.6 million) will go for the building of assembly plants for diesel locomotives and lorries of five tons and upwards.

Publicly reported cash dividend payments of US Corporations totalled \$800 million (almost £209 million) in January, 1956, about 12 per cent larger than the \$721 million, disbursed in January 1955.

Foodstuffs worth approximately £2.2 million have been presented to Spain by the United States Government.

Cotton yarn production last year in three countries for which figures are available was about 1½ per cent greater than in 1954 according to the Cotton Board's quarterly statistical review.

According to the Reserve Committee of the Canadian Petroleum Association, Canadian crude oil reserves rose more than 300 million barrels in 1955 to reach a record of 2,509 million barrels. Biggest increase was reported in Alberta and British Columbia.

Pan-Malayan production of rubber in February fell 14 per cent to 51,822 tons. The estates total of 27,577 tons fell 18 per cent and that of small holders declined 9 per cent to 24,245 tons.

Brussels Universal and International Exhibition which will involve the Belgian Government in an expenditure of £80 million will be held from April 3 to November 3, 1958, and will be the first major international exhibition to be held since the war and the largest ever to be held in Europe.

According to the British Bureau of non-Ferrous Metals Statistics, world's smelter production of copper rose by 9 per cent to 2,696,000 long tons, as compared with 2,720,000 tons in the previous year.

A use for rice hulls, ordinarily discarded as waste, has been discovered by scientists at Louisiana State University in Southern United States. From the ashes of the burnt hulls, they have developed a light-weight, low-cost brick that is especially valued for farm buildings.

How banking serves the SPICES INDUSTRY

There is tremendous demand throughout the world for pepper and cardamoms and South India produces the bulk of these spices. One-third of the entire world demand for pepper is grown between Karwar and Cape Comorin; and in 1951-52, India's exports earned more than Rs. 27 crores.

Within the last ten years there has been a remarkable increase in cardamom growing, particularly in the South Indian states of Mysore and Coorg, and the districts of Madura, Tinnevely, Malabar and Coimbatore.

The Indian spices industry has a happy future, and banking will naturally help to expand and improve it. The facilities and guidance of a good bank, such as the availability of ready funds when needed and the collection of dues from any part of the country, have become part of efficient organisation in every industry.

We at Palai are proud that many spice growers of South India employ the complete banking service we offer:

Current Accounts—Demand Drafts—
Telegraphic Transfers—Investments—
Letters of Credit—Bill Collection—
Deposits—Loans & Overdrafts—
Confidential Credit Reports, etc.



If you have business interests in the South, it will pay you to open an account with us. Our 24 branches are strategically located, 22 in important South Indian business centres and two in Delhi and New Delhi; and we have correspondents in all important Indian cities. We offer a fully comprehensive banking service at each office.

Our clients can make deposits at any of our correspondent banks, situated in all important Indian towns and have the amounts credited to their accounts at any of our branches.



PALAI CENTRAL BANK LTD.

(Incorporated in Travancore-Cochin with Limited Liability)

Head Office: PALAI, TRAVANCORE,
Branches at: Madras, Cochin, Quilon,
Trivandrum, Alleppey, Mangalore, Bangalore, etc. Also at: Delhi & New Delhi.

A LEADING BANK IN SOUTH INDIA

Special Articles:

TEXTILE TARGETS IN THE SECOND PLAN

(By G. D. SOMANI, M.P.)

AN unnecessary controversy has been precipitated on the question of fixing production targets for consumer goods industries in the second Five-Year Plan. Both the Kanungo and Karve Committees have recommended that cloth output by mills should be restricted to the present level of 5,000 million yards per annum so that all the additional clothing requirements of the community during the second Plan period may be supplied by the labour-intensive handloom sector. These proposals would certainly have been unexceptionable if, in relation to present output, the required increase in cloth production by 1960-61 had been modest. The two Committees have formulated their proposals in the belief that even after five years, the 'per capita' consumption of cloth will increase only by two yards from the present 16 yards to 18 yards. A people so woefully under-clothed as ours, will most certainly give precedence to cloth next only to food when they achieve a greater purchasing power. If, as our planners anticipate, there is a 25 per cent increase in the 'per capita' income by the end of the second Plan period, it is quite possible that cloth consumption in the country will rise to 22 yards per head. This is the estimate of the textile trade and industry, but even if we accept a lesser rate of consumption, namely, 20 yards 'per capita' as anticipated by the Union Minister for Commerce and Industry and by the two dissenting members of the Karve Committee, the total volume of production that will have to be attained by the end of the second Plan will be considerable in order to clothe an estimated population of 400 million, besides providing for an export of 1,200 million yards.

In other words, cotton cloth production in the country by 1960-61 should reach 9,200 million yards, representing 2,550 million yards more than the current output of 6,650 million yards, consisting of 5,000 million yards of mill cloth, 1,450 million yards of handloom fabrics and 200 million yards of registered powerloom cloth. By freezing mill and powerloom production at present levels, will it be possible for the handlooms to give an output of 4,000 million yards?

The immensity of the task that is proposed to be assigned to the handloom sector can be better understood by studying its performance in recent years. In spite of the most generous help which it has been receiving, its production has not shown any appreciable increase. Thus, the output of handloom cloth was 1,200 million yards in 1953, 1,318 million yards in 1954 and 1,450 million yards in 1955. It is significant that handloom production, which should have reached 1,700 million yards in the last year of the first Plan, has lagged behind by some 250 million yards.

In these circumstances, to expect the handloom sector to raise its present production of 1,450 million yards per annum to 4,000 million yards per annum within a short period of five years by ignoring its serious limitations is to place an unduly heavy strain on one's credibility. Even on the basis of a 'per capita' consumption of 18 yards, it is extremely doubtful whether the production of handloom cloth can be doubled by the end of the second Plan by stabilizing mill and licensed powerloom output at the present level.

In this connection, the observations of an eminent British economist on the shortcomings of the small-scale handicraft industry are worthy of serious con-

deration. The economist, who has made a critical but sympathetic study of the Plan-frame papers of the second Five-Year Plan, says:

"The danger that possibilities in this respect have been over-estimated is rather considerable as a glance at the projected development of the national product clearly shows. It is seen that the increase of the output of small enterprise in the last five years was hardly 10 per cent as against the expected 40 per cent in the next programme."

In the case of the handloom industry, with its admittedly outmoded instruments of production, the Kanungo and Karve Committees have fixed a production target that is one hundred per cent more than the present volume of output. This percentage will be considerably higher if domestic cloth consumption will be more than 18 yards 'per capita'. In the circumstances, competent observers do not expect that handloom production can be increased by more than 1,000 million yards over the present level of output.

Similarly, attempts are being made to prevent any expansion of the spinning capacity in mills. Here again, there can be no valid objection to the development of the non-factory sector if its capacity to deliver the goods is proved beyond doubt. The potentialities of the Ambar Charkha, on behalf of which the installation of additional spindles in mills is sought to be banned, have not yet been fully explored. From the published data, it has been established that mill yarn is much cheaper than the yarn produced on the Ambar Charkha. In this connection, the figures worked out by a distinguished industrialist and referred to in his recent speech provide an illuminating study in contrast:

I. No. of Man-hours required to produce 100 lbs. of 20s yarn.

	On Ambar Charkha	By mills.
2,000 Man-hours	35.84 Man-hours.	

II. Ratio of Man-hours required for a given output:
1 : 55.56

III. Cost of Production per pound of 20s yarn:

	Mill Pies	Ambar Charkha Pies
1. Raw Material	224	224
2. Wage Cost	30	480
3. Stores, Power and Light, Depreciation and Overheads	35	17.5
Cost per pound	289	721.5

In fact, in an article, published in the December issue of "Khadi-Gramodyog", a writer has pointed out that the price differential between Ambar cloth and mill cloth of 20 counts is 5 to 6 annas per yard in urban areas and 3 to 4 annas in rural centres. In order to neutralise the great price advantage enjoyed by mill manufactures, he has rather blithely suggested the imposition of a staggering levy on mill cloth so that

the products of the two sectors may be sold at the same or identical prices.

The author of the article goes on to say:

"To market the bulk of the Ambar Charkha cloth in the rural areas at prices competitive with those of the handloom cloth with mill yarn and mill cloth, the price differentials may have to be eliminated by the provision of appropriate levels of subsidies. Taking the price differentials at an average of 4 annas a yard, the total subsidy requirements over the five-year period amount to Rs. 82.50 crores, rising from about Rs. 1.88 crores in the first year to Rs. 37.5 crores, in the last year of the Plan. To mobilise resources required for this purpose, (excluding the difference that this levy may cause in the prices of mill cloth) an excise duty at the average rate of 6.4 pies per yard on the output of mill cloth may be necessary during each of the Five-Year Plan periods."

In addition, he wants a sum of Rs. 17.68 crores to be spent in order to establish the Ambar Charkha in the country as a spinning unit capable of mass production. The total cost of sustaining this new instrument will thus be Rs. 82.50+Rs. 17.68=100.18 crores, or over Rs. 20 crores per annum.

It is pertinent to ask whether such an enormous expenditure of the national resources would be justified in order to perpetuate a manifestly uneconomic means of production. Moreover, in this scheme of things, the predilections of the consumer do not appear to have been taken into consideration at all. Although there has been more than a three-fold increase in the 'per capita' income, cloth consumption in the country has just begun to reach the pre-war level of 16 yards per head. This is due to the high prices resulting from cost inflation. If cloth becomes even more expensive by the creation of an artificial price parity between mill and handloom products, all plans for increased consumption are likely to go awry. In that event, neither the mill sector nor the handloom sector will be able to expand. Stagnation or fall in production is bound to react adversely on the employment position in these sectors.

Secondly, considerable organisational effort will be necessary in order to establish the Ambar Charkha in the vast countryside and to ensure its efficient working. Can this gigantic task be accomplished within a couple of years, even assuming that the yarn spun on this Charkha will be acceptable to the weaver? The Prime Minister, who is himself in favour of extensive use of the Ambar Charkha, has said:

"In regard to Ambar Charkha, the main difficulty is not the working of the Ambar Charkha. It may be good. But the main difficulty is in spreading it out over thousands of villages. The main difficulty is with regard to its organisation. It is relatively easy to organise a huge iron and steel factory, but it is difficult to organise something which is spread over more than fifty thousand villages. The servicing of it, if something little goes wrong, is another problem. The giving of raw materials and the collection of yarn is a tremendous job. If this machinery does not work satisfactorily, as one might expect, then there might be a lack of production. Therefore, one should rather err on the side of over-production rather than under-production. It is from that point of view, therefore, that one has to think of what spindles might be required in the mills or elsewhere."

The Prime Minister's views on the importance of avoiding cloth shortage are equally valuable. He observes:

"If the demand is much greater, then there is a lag. Then, prices go up and difficulties occur and inflation occurs. We want to avoid that. We do not want to take a risk in that matter and allow demand to out-strip supply of both sides and thereby create other conditions which affect not only our cloth position but our whole economy."

In the concluding part of his speech, quoted above, the Prime Minister draws attention to the fact that already there has been a great strain on the national finances "in spite of our growth because of our big development schemes" and that "there is a big gap between our estimated resources and what we intend to spend". In these circumstances, would it be worth while to spend such a huge sum as Rs. 100 crores on the Ambar Charkha and thus arrest progress in the other sectors of the economy? For these reasons, there is a sound case against the imposition of any arbitrary limit on mill production.

It is readily recognised that the problem of unemployment must be solved, but the claims that are being made on behalf of small-scale industries as a panacea to this ill have no basis in fact. For instance, the Khadi Board hopes that the introduction of 25 lakh Ambar Charkhas "will provide part and full-time employment to 50 lakh persons in the country in the spinning of yarn, 8.46 lakh weavers and 4.25 laks assistants in weaving, besides providing full employment for 72,000 carpenters and their assistants and about 20,000 persons in administration and organisational jobs". This is a breath-taking recital of the capabilities of the Ambar Charkha, but from the practical point of view it is rather incredible.

The snow-ball effect on employment in enterprises directly and indirectly connected with the cotton textile mill industry will be considerable, consequent upon the expansion of the industry on such a scale. The cotton-growers, the machinery manufacturers, the producers and suppliers of mill stores and a host of others, who contribute goods and services to meet the manifold requirements of the mills, derive their livelihood and prosperity from this, the nation's premier organised industry. In short, the industry touches the economic life of the country at so many points, enriching and diversifying it, that it is almost impossible to assess its importance in precise terms. As against this, the contribution which the handloom sector can make either to the enrichment of the economy or to the State exchequer is infinitesimal. Even assuming that the Karve Committee's estimate of additional employment in this sector is correct, the wages payable to the extra one million persons will amount to only Rs. 31.5 crores in one year of 280 working days at Rs. 1-2-0 per weaver per day. On the other hand, the wages and salaries payable by the mill industry, to the additional workers required for producing the extra 2,000 million yards of cloth will be as much as Rs. 45 crores per annum. The prosperity of the nation will be even more impressive if the industry is given a higher production target on the basis of a 'per capita' consumption of 22 yards of cloth, as estimated by the textile trade and industry.

To conclude, the producers do not ask for a higher production target for mills out of any selfish or sordid motives. In fact, they stand to gain if mill output is pegged at the present level, as the pressure of demand for mill cloth will bring them better returns. But it is in the wider national interest that there should be an abundant supply of cloth at economic prices, parti-

cularly at a time when consumer demand is likely to increase. The object of providing full employment and higher wages in the handloom sector will be best served by assigning to it a production target of 2,000 million yards which is both feasible and equitable. It is ear-

nestly to be hoped that both the Planning Commission and the recently appointed Committee on Ambar Charkha will give full consideration to the various points discussed in this article before determining the production targets for the cotton textile industry.

THE CITIZEN AND THE STATE

BY

SARDAR K. M. PANIKKAR

IN a dependent society, the individual is a subject. He has neither the rights nor the obligations of a citizen. He obeys the law because he is forced to do so; he performs such services and duties as he is compelled to, not because he has any obligation. In an independent state where the people govern themselves, the situation is fundamentally different. The basic assumption in a free community is that each individual shares in the responsibility of government and has, therefore, duties and rights towards the society and the state. The obligations of a free citizen in a self-governing community are, therefore, different from those imposed on him in a dependent society.

In discussing the position of the individual in regard to the state in India, this is a major consideration which we must constantly keep in mind. During the period of India's struggle for independence we developed attitudes and ways of thinking appropriate to our position as a dependent people fighting to secure our freedom. We were for over 27 years in revolt against the state, denying its moral validity and claiming the right to disobey its laws and to force it into courses of action by methods of non-co-operation. While no one can deny that an unfree society has the right to resort to such action—in fact the right to rebel—it is obvious that such action—in a self-governing society is against the fundamental postulates of freedom. Leaving alone the group of thinkers who believe in philosophical anarchism, there has been practical unanimity from the time of Bhishma that a free society involved duties and obligations without which man would fall back to the law of the jungle. A widely accepted doctrine of social obedience is, therefore, of the essence of free society. The Constitution of India lays down in general the duties and rights of the citizens, and the democratic nature of that Constitution and its processes at all levels places on each individual the responsibility of sharing in the government. It postulates the widest measure of freedom for the individual and entrusts each one with the duty of participating in the determination of such duties and obligations as are placed on him. The principle of obedience is voluntary and proceeds ultimately from the individual himself.

It is necessary to emphasise this obvious point, for one of the major problems in India is the survival of the doctrine of disobedience, which we had, in the unfree society of the past, adopted with every justification as a weapon of revolt. It is not an uncommon feature of life in India for individuals to go on 'fasts unto death' for political purposes, for students to go on strike, for large groups to reject the decisions which the government takes after due democratic processes. We had some notable instances of such action during the last few years. It is, therefore, necessary to examine how far in the present state of our society such actions can be morally justified. How far is it within the rights of the citizen to disobey the law? How far is it justifiable for individuals to organise the public to resist an unpopular decision taken in full view of the public and after the ascertainment of national opinion. As the name of Mahatma Gandhi is often appealed to by the

advocates of such resistance, it is necessary to consider this question carefully and in all its implications.

The right of mass disobedience is the right to revolt against a state. Such a right undoubtedly exists in the case of a dependent people, as the reduction of a people to such dependence is based generally on conquest. Though a people may have accepted subjection voluntarily, their continuance cannot be assumed to be voluntary. Freedom is the right of every society, and the deprivation of it involves the right of a people to revolt. The right of disobedience is only a passive form of the right to revolt. But does such a right exist in a free society? Normally the answer is no. If a society ceases to be free, or pursues a course of deliberate injustice to an integrated group of people, such a right may be said to arise. Assuming that in a multiple society, one section is dominated by another against which it used all the powers of the state to maintain it in subjection, then clearly the group so held down or oppressed has the right to disobey or to revolt. Mahatma Gandhi in his life emphasised both these truths. The Civil Disobedience Movement in South Africa was the assertion of the right of a section held in subjection and differentiated against by law to gain its rights by passive resistance against the state. The Non-co-operation Movement in India was the revolt of a people against the state with the object of gaining freedom. But the problem is different when the citizens of a free society claim such a right against the state. Here again a distinction has to be made. It is the right of each individual, where his conscience is concerned, to decide whether he could submit to the authority of the state. In such a case the authority of the state is not denied, but the individual, obeying what is to him a higher law, voluntarily submits himself to punishment rather than obey an unjust law. This undoubted right in a free society should not be confused with the right to organise disobedience, for this latter involves a denial of the validity of the state's action and is a repudiation of the allegiance to the state. Such a right does not exist in a free society.

The failure to recognise this essential difference has been at the bottom of much confused thinking in India. We have, as a result of thirty years' struggle, based on civil disobedience, come to value its irresistible potency, and we take pride in the fact that it is through this process that we won our freedom from alien rule. But many people in India seem also to think that it is an instrument which can be used against our own state. The numerous abortive satyagrahas, during the past ten years, should help us to realise that the obligations of the citizen in a free, self-governing, democratic state are inconsistent with the doctrine of passive resistance and the survival of this doctrine among a section of our people is an anachronism, which may have dangerous consequences.

Another unfortunate survival from the period of our national struggle is the attitude of the students to authority and the support that public men extend to student action. In no free society has one heard of

students' strikes. In England, America, France, or any of the other countries, do the students claim the right to walk out of educational institutions? In India, in Egypt, and in the past in Kuomintang China, widespread student activity in politics and withdrawal from colleges for alleged grievances were common features. Again it is a survival of the doctrines of our political struggle. When a nation is engaged in the fight for freedom it is entitled to call upon its young men to join the national struggle. In the same way compulsory military service was extended to university students in European countries during the great wars and colleges were denuded of their members; the nation in India had the undoubted right of calling on the youth of the country to participate in the fight for freedom. But again the persistence of the idea that the students had the right to strike and to carry on agitation is a projection of our past methods into a free society. The right to strike is based on the idea of conflicting interests. In a competitive society, unorganised workers are generally recognised as having a right to strike to secure justice to themselves. But it is necessary to emphasise that in non-capitalist societies this right is not recognized and even in capitalist societies there are strict limitations to its exercise. Clearly the relationship of the students to the university is not that of the employed and the employer. No conflict of interests can be presumed to exist between them as the university exists solely for the students. The right to strike against the university would, therefore, seem to be meaningless and the support that such action on the part of the students receives from political leaders can only be considered as an unfortunate survival of our past attitudes.

In a modern society the rights of the citizen in relation to the state is the most complicated of all problems. Every state in the world today is totalitarian, in the sense that it claims the totality of powers. It was said in the beginning of the century that the modern state was Jenghiz Khan with the telegraph line. Today it is much more than that. It is Jenghiz Khan with distance control exercised by a hundred methods. The new Jenghiz speaks with a million voices on the radio. He overhears our conversations on the telephone. He pries into our secret thoughts by censoring our letters. He controls the water we drink, the food we eat, the lights we use, our modes of transportation, and in fact practically everything in our lives. He gives with one hand and takes away with the other. In fact his picture is that of some demon of Hindu mythology multiplied manifold, a Ravana with a thousand faces and a million hands, each hand wielding a different instrument of power. What chance has the individual against such an institution—impersonal, all-pervasive, unmoved by sentiment, armed both by the power of the law and by every possible instrument of authority. The individual in the modern state, whether it be capitalist or communist, is reduced to a position of nullity.

And yet, all this concentration of power is said to be in the interests of the individual himself. And to a large extent that is true. The laissez-faire tradition of liberalism on which the doctrine of individual liberty is based and to which we hark back did not lead to an arcadian system of happiness. It meant inevitably the right of the capitalist to exploit the worker, of the powerful to oppress the weak, of the rich to grow richer, and the poor to grow poorer, all in the sacred name of liberty of the individual. It was the doctrine of the devil taking the hindmost. Life was conceived as a race for success, with the state, heavily over-weighted in favour of privilege, being the umpire. It is the omnipotent state that has set right some of these injustices of a competitive society by emphasising the ideals of economic equality, social security, nationalised health services, organisation of labour to prevent ex-

ploitation, control of production and distribution in order to secure for everyone the minimum necessities of good living. It is only an omnipotent state which claims the right to act in every sphere that can be a welfare state. When all this is said, the problem still remains of safeguarding the position of the individual in the modern state. This is the fundamental contradiction in free societies today. In India we are facing this at every turn. The tradition of British administration in India was necessarily one of laissez-faire. It tried, except where its own security was concerned, to avoid interference with Indian life and was content to leave us to ourselves—a doctrine which led Mahatma Gandhi to exclaim that of all governments he had the least objection to the British government as it governed the least. But with independence the situation has undergone a revolutionary change. Our objective is the creation of a welfare state based on economic and social planning. By its very nature, it has to interfere with all aspects of our life; even with such intimate things as family relationships, marriage and inheritance, not to speak of the complete control it has claimed on our economic activities. Such a development was necessary and unavoidable. The problem is how to reconcile these claims with the rights of the individual.

THE BELSUND SUGAR COMPANY, LIMITED

NOTICE

The Annual Ordinary General Meeting of Shareholders will be held at the Registered Office of the Company 14, Netaji Subhas Road, Calcutta-1, on Monday, the 30th April, 1956 at 3 p.m. for the purpose of receiving the Directors' and Auditors' Report for the year ended 30th September, 1955, passing the Accounts, declaring Dividend, electing Directors and Auditors in place of those retiring and transacting any other business that may be brought forward.

Notice is hereby given that the Share Transfer Books of the Company will be closed from 16th April to 30th April, 1956 both days inclusive.

The Dividend Warrants will be sent to Registered Shareholders.

By order of the Board,

BANGUR BROTHERS LTD.,

Managing Agents.

14, Netaji Subhas Road,

CALCUTTA.

Dated 28th March, 1956.

N.B. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.

The Business World

PRIVATE ENTERPRISE—CORRECT ATTITUDE

By

CROESUS

BETWEEN them, the outgoing President (Mr. K. G. Milne) and the incoming President (Mr. J. F. Sinclair), of the Bombay Chamber of Commerce (Bombay Chamber of Commerce and Industry hereafter) managed to convey both to the Chief Minister of Bombay, who was present at the Chamber's annual general meeting on 22nd March last and to the outside public who were not, not only their apprehensions and difficulties but also their claims in a most telling manner. I particularly liked Mr. Sinclair's dignified, yet firm, categorical assertion: "Do we deserve the respect we claim? I would say firmly that we do". And, all the while, the new President seemed only too conscious of the presence of "our leading castigator of public and private morals, Mr. Gorwala", but I noticed too that that did not either embarrass or make him feel awkward as it might well have done a less experienced and shrewd person. His gleaming eye was more than a match to "the piercing eye" of Mr. Gorwala, so that, not deterred by the latter, he could still assert: "...just as we are certainly in an era of staggering economic expansion, so also we may be at the beginning of an age of deepening social and civic consciousness which we can hope, will permeate us all—politicians, bureaucrats, professional men and, naturally, business men". In other words, he stressed the obvious, though not generally appreciated, fact that the changed times will not leave unaffected only the business men. Notwithstanding all their ability and acumen, business men have certainly not been able to develop a charm that leaves them unscathed by the impact of the revolution that has been taking place today in our social and civic consciousness.

One other striking feature of both the speeches is the great importance that they attach to our second Five-Year Plan and their transparent anxiety to see it succeed, coupled with their assurance to do their utmost—even as the private sector has done in respect of the first Plan. In this connection, I cannot resist the temptation to quote what Mr. Sinclair said, inasmuch as his observation admirably sums up the significance of India's economic progress at the present juncture, a significance which (may I venture to add?) is still not realised and appreciated by many people—particularly some foreigners and quite a few Indians as well. "Economically and industrially, India, it seems to me," said Mr. Sinclair, "is on the verge of an expansion, the speed and extent of which the world may never before have witnessed, and all this by democratic methods" (emphasis is by me). Of a piece with this observation is the following remark of Mr. Milne: "It is natural and commendable...that the new India should be aflame with a desire to catch up with the greatest possible speed on arrears of industrialisation. Nor should it escape the understanding of private business that this titanic exercise is being undertaken at a time when new social values and new conceptions of labour relations have set their mark throughout the world".

Although a spokesman of the private sector, Mr. Milne deprecated the bad habit of talking of sectors, because the word, he said, "tends to create misapprehension". He would not even speak of the two as "complementary" as this too, he said, "is misleading".

To him, "the two are inextricably connected", so that, the wise business man he is, he did not bother about the share assigned to the private sector—though he did say earlier that, while the share of the public sector in the second Plan had been greatly increased, that of the private sector had been drastically curtailed—but felt convinced "of the wealth of opportunity for private business expansion that will be offered in progressively wider measure and over expansive fields". But, for the utilisation of this opportunity, he insisted that Government must recognise "without reservation, that private enterprise is thoroughly well equipped to develop these opportunities." "Private enterprise", he went on, "asks only to be allowed the chance to respond, hand in hand, never in conflict, with Government and its complementary public sector". What response there would be for this request, "the next five years will test and show". Meanwhile, there must be created and brought into being a climate favourable to rapid economic progress. True, almost everyone is anxious to bring this about, but fond hopes and pious platitudes alone do not carry us anywhere. An effective beginning must be made and that by some important person. Presumably, this was at the back of Mr. Sinclair's mind when he said: "We know that, if he (Mr. Morarji Desai) thinks we are talking sense, he will ensure that our views are properly represented to those responsible for making policy in Delhi". Perhaps no less urgent is the need to cry halt to the rather ill-conceived and senseless campaign of abuse of private enterprise in and out of season by persons in privileged circumstances as, for instance, in Parliamentary debates. As Mr. Milne pointed out, vituperation of private enterprise leads us nowhere. On the contrary, it will create the very feeling of frustration which he voiced. "It seems to me to be hopeless to expect the private sector to play its proper part in the progress of the country, if it is to be decied on almost every possible public occasion".

I do not think it is really necessary for me, in these columns, to refer to the criticisms of Government policies and actions by the spokesmen of the Bombay Chamber, if only because they are but the familiar ones already voiced by spokesmen of various other chambers. But the plea of Mr. Milne for an extension of the concessions to foreign technicians, to administrators or executives who were working previously or come hereafter to make a long stay in India, and that of Mr. Sinclair for "a proper place for free enterprise, a minimum of encouragement, and a blunting of the sharper disincentives" to enable "our friends and associates overseas to be allowed to assist to a far more substantial extent (than that indicated by the meagre Rs. 100 crores when our planners were perhaps in one of their less imaginative moods) on terms honourable and rewarding to both sides, in the vast and stimulating task that lies before us all" are worth all the consideration at the hands of the Government. Several prominent Indian business men also would want an extension of the facilities to technicians, though in another form, namely, by way of enlarging the scope of the term "technicians". It is their view that an administrator or a manager, or a cost accountant, or a specialist in scientific management like, say, Lt.-Col. L. Urwick who was recently in India, whose services Indian industries might require for a time, must also be brought within the scope of the term "technicians".

A Letter to the Editor

THE METRIC SYSTEM

Sir,

There are a number of misleading statements in the article which appears under the above heading on page 492 of your issue of 23rd March. First, (a real howler) at the foot of the first column on that page, we are told that "one cubic metre is one litre". Any French schoolboy will tell us that the relation is not so simple as all that!

Next, your contributor's vocabulary is rather muddled over the use of the word "quantity". At the foot of column one on page 492 he talks of "weight, quantity and cubic measure", implying that quantity means "length", but at the top of column one on page 493, he talks of "weight, length and quantity". Here he is clearly using quantity for "volume".

It is certainly wrong to say, as he does at the foot of column one on page 493, that "under the foot-pound system, the maximum fineness possible is 1/1000th of an

inch." Surely it is possible to measure to "half a thou." or even finer, under our present system? Any good tool-room gauge will measure accurately to one-tenth of a "thou".

How right your contributor is, though, when he says that "only frequent use over a period of time can make it (the Metric System) universally accepted". His own inexperience is a good pointer to the muddle the masses will find themselves in when the system is first introduced.

All this is not to say that I am against the Metric System, but we must be prepared for a difficult period while we are getting used to it.

Yours faithfully,

(J. H. Adam)

[We regret the 'howler': there are one thousand litres in one cubic metre.—Ed.]

THE RAMAYANA OF TULSIDAS IN ENGLISH VERSE

LATEST "HINDUSTAN TIMES" PUBLICATION

The famous Hindi epic regarded by many as "the greatest book in all devotional literature" is for the first time now available in English verse.

The translator, the Rev. A. G. Atkins, completed the book after ten years of devoted work. He has tried "to keep and express in English in the fine rhythm and music of the original in simple lucid language, and with as much of the vivacity, wittiness and picturesqueness that Tulsidas has put into his work." He has also followed in some measure Tulsidas's metrical variations such as *chhand*, *chaupal*, *doha* and *soratha*.

In a foreword Mr C. Rajagopalachari says: "Mr Atkins' monumental work and his Introduction are a revelation of hope for those who desire to see all the great religions of mankind come together. His service is not only to English-speaking people but also to that very large number of Hindus in India who do not speak the Hindi language and to whom English has become a very familiar medium."

The book is of special value to libraries, scholars and devotees of Tulsidas.

It has been issued in the following four editions:

- I. Original text of Tulsidas with translation in English verse; three volumes; 1468 pages; price Rs. 50 net.
- II. Translation in English verse; without Hindi text, two volume; 898 pages; price Rs. 40 net.
- III. Special tissue paper edition of I, one volume, price Rs. 100 net.
- IV. Special tissue paper edition of II, one volume, price Rs. 100 net.

POSTAGE EXTRA

The Manager,

THE HINDUSTAN TIMES,
NEW DELHI.

BUSINESS NOTES

AHMEDABAD ELECTRICITY COMPANY

THE AHMEDABAD ELECTRICITY COMPANY's forward planning for expansion has been amply justified by the ease with which it could meet last year's peak demand of 100,000 kw. It is an additional merit of this policy that its power generating potential has been kept ahead of the probable increase in demand. This prudent policy comes in sharp contrast with the experience of some of this country's important industrial centres which have to suffer from intermittent shortages of power. Against this background, it is paradoxical to find that the company should be disabled from passing a legitimate part of its higher productivity to the investor. Mr. K. G. Milne, presiding over the company's annual meeting, has explained how the intermeddling of external agencies imposed a difficult situation upon the management and left it no choice except to reduce the dividend for the accounting year ended 30th September, 1955, by 1½ per cent to 5 per cent. The high cost of capital expansion argued a reasonable case for an increase in the company's rates for electricity by at least 15 per cent., but the Rating Company appointed by the State Government took a rigid and dogmatic attitude and eventually an increase of 8½ per cent only was allowed to the company just in the current year. This is obviously a case where the quantum of the proposed dividend has been adversely affected by external intervention. The investor's confidence in the management's policies, however, will remain unshaken and there can be no doubt that the Chairman's optimism about the future will be taken at face value.

The prospect which has been opened up for electricity undertakings by the Electricity (Supply) Amendment Bill is depressing in certain important directions. It is unfortunate that this should be the case at a time when the expansion of this industry as envisaged in the second Plan will make it necessary for the undertakings to approach the capital market for developmental finance. Mr. Milne's clear and forceful analysis of the implications of some of the amendments merits emphasis. The standard rate has now been linked with the Bank Rate, but it is to be pitched at a point only 2 per cent above the Bank Rate. This differential is certainly quite inadequate on any reasonable test and it ought to be raised at least to 2½ per cent. The disallowance of interest amount for debentures and loans as a charge before determining the permissible profit will deprive electricity undertakings of the benefit which they are at present enjoying to secure a rate of return sufficient to attract fresh investment. The increase in the standard rate will not be enough to offset this loss. The provision in regard to the obligatory appropriation to the Development Reserve at a rate equal to 25 per cent of the capital expenditure during the year concerned and not on the basis of the volume of surplus revenue creates a very difficult situation. It is, therefore, problematic how many undertakings, however efficiently managed, will be able to achieve the full reasonable return. Another unwholesome aspect of the Reserve is that it will bring no benefit to the shareholder since it is to be deducted from the Capital Base and transferred to the purchaser.

While the Bill is still pending consideration before the Joint Select Committee, there is ample time to give mature second thoughts to its ill-digested provisions.

ORGANISATION FOR TRADE CO-OPERATION

THE CORRECT American business attitude to the Organisation for Trade Co-operation is best exemplified in the accredited views of organised bodies like the

National Council of American Importers. Mr. Morris S. Rosenthal, President of the Council, in his statement before the House Committee on Ways and Means last month, announced in unequivocal terms the Council's approval of and support to the projected Organisation for Trade Co-operation. To those who harbour certain mental reservations Mr. Rosenthal pointed out that they need not apprehend any injury to the legitimate interests of American trade and business from the OTC. The powers vested in the President under the Trade Agreements Act constitute a sufficient safeguard in this behalf. But he reminds his country that real content and authority will be imparted to the OTC in a substantial measure only by America's participation.

From its very inception the GATT lacked to some extent the essential sanction and stature as an international instrument of tariff co-ordination because of the fact that it was an interim organisation and was always presumed to be an arrangement for transition to a permanent organisation. The main arguments in support of the formation of OTC are fairly well-known, nevertheless, to dispel any hesitations and to eliminate any wavering attitudes, Mr. Rosenthal has thought it necessary to re-emphasise them. Healthy and mutually beneficial world trade relations can never be achieved on the basis of the bilateral pattern and all efforts must be directed towards the achievement of multilateral trade relations. OTC will serve as a suitable instrument for this purpose. Any likely controversies and disagreements, which must inevitably arise from time to time, can be settled in a spirit of amicable understanding and this fact has been proved in some degree by GATT. Difficulties of under-developed countries and of countries suffering from the malady of imbalance in payments will certainly continue to receive special consideration. OTC with a well-organised permanent secretariat and backed by a consistent body of regulations can work for the elimination of trade obstacles like rigid and harmful customs regulations by aiming steadfastly at a policy of reform.

FOCUS ON COTTON TANGLE

THE CHAIRMAN of the Dawn Mills Co., Ltd., addressing the shareholders on Thursday, 29th March, dwelt at great length on the problems of the cotton trade. Referring to the intervention of the Government in banning futures trading on December 23 last, Mr. Ruia observed that "if it is argued that high prices of cotton could not fit the general economy of the country and that Government intervention was necessary to bring down the prices, I am afraid, subsequent events have not borne out this view". In fact, during the last three months all the commodity markets have maintained an upward tendency and there have been substantial rises in other forward markets too. In the circumstances, Mr. Ruia asked why cotton alone should be singled out "as deserving of Government intervention".

In the absence of any hedge facilities thus, the cotton trade in general and manufacturers, merchants and growers in particular, are verily in an unenviable position. Apart from the inflationary pressure on prices, the cotton crop this season has been considerably damaged on account of untimely rains and floods and the quality and the quantity have been adversely affected to the extent of about 20 per cent. Under these conditions prices could hardly be expected to be kept at "reasonable" levels. Mr. Ruia is, therefore, convinced that "the forward market is not likely to reopen unless the Government revises its policy in consonance with the market trends."

Now, what are the prospects of Government taking any measures to have the resumption of futures trading in cotton? The pattern of trading in the spot market, almost throughout the month of March, has not been in any way conducive to any reopening of forward trading in cotton. For in many cases the prices have been pushed very near to the ceilings fixed by the Government while prices have occasionally hit the ceilings. Government, by causing the resumption of futures trading, would only be accelerating the rising tempo in the spot market. In order not to give a handle to the bulls Government is left with the alternative of either reintroducing the quota system for allocating the available supply of Indian cotton among the mills on an equitable basis or revision of import policy, permitting purchase of US cotton stapling 2" and above. In fact, a directive issued by the Textile Commissioner in the middle of last month clearly indicated how the Government was going to act. The said directive asked mills to furnish 'within seven days' a statement of ready and delivery cotton purchased by them as on February 29, 1956. Evidently, this information was called for to ascertain the stock position of Indian cotton with individual mills with a view to exploring the possibility of importing lower qualities of American cotton. Some trade quarters suggests that both the alternative measures may be given effect to simultaneously. One good thing (from the point of view of resumption of futures trading) that has come out as a result of the repeated rumours of Government intervention in the spot market was the psychological bearish bent that the market assumed gradually. Unless the price trend in the spot market assumes what Government considers to be a reasonable level, it is unlikely that any effort would be taken to effect resumption of futures trading in cotton.

BANKERS' PROBLEMS

THE DIFFICULTIES under which banking business is conducted in India were emphasised by Mr. C. H. Bhabha at the ninth annual general meeting of the Association in Bombay. According to him, while it is heartening to note the increasing gross earnings of Indian non-scheduled banks, the picture presented by the net results of their working is not very encouraging. This is mainly due to the rise in establishment expenses. It was only in 1954 that gross earnings increased substantially more than establishment expenses. The percentage of establishment expenses to working funds of Indian scheduled banks was 16.08 in 1954 and 16.50 in 1953 against only 10.13 in 1948. This trend, we are told, has adversely affected the net profits of Indian scheduled banks, which are left without sufficient reserves to meet contingencies. In the result, the total net profits declined from Rs. 3.7 crores in 1948 to Rs. 7 crores in 1954. Working funds also were lower at Rs. 876.56 crores at the end of 1954 as against Rs. 937.89 crores in 1948.

That banking in India is still in its infancy and needs constant nursing is borne out by the fact that the total assets of Indian banks, including those of the Banking Department of the Reserve Bank, are only Rs. 1,500 crores, compared to Rs. 12,000 crores of the British banks and Rs. 80,000 crores of the American banks. Is it a surprise then that all the assets of the Indian banks are no more than those of a single big American or British bank?

Employer-employee relations have been none too cordial, and even the passing of the Industrial Disputes (Banking Companies) Decision Act 1955, has not had the desired result. Labour indiscipline in the banking industry has been the subject of a good deal of comment in recent times. In this connection, it has been significantly suggested that, as in the USA, only those

unions which have a membership of 50 per cent of the employees should be recognised by the Government. The obvious implication is that even the educated bank employees have allowed themselves to be led by outsiders with no stake in these vital institutions.

EMERGENCE OF SOLAR ENERGY

THERE WAS no need whatsoever for Mr. J. R. D. Tata to be so apologetic as he seemed to be about the lengthy reference he made recently, in his presidential address to the Nineteenth Annual Meeting of the Court of the Indian Institute of Science, to the subjects of atomic and nuclear energy. For, as he himself observed, these "hold out a promise of revolutionary developments of immense potential benefit to our country to which, if we go about in the right way, we can make a valuable contribution". "The coming years", to quote (or rather requote from Mr. Tata) what Dr. Bhabha said in his admirable presidential address to the Geneva conference on the peaceful uses of Atomic Energy, "will see many new applications and achievements which we can only visualise at present. The historical period we are just entering may well be regarded one day as the primitive period of the atomic age." It was Dr. Bhabha, again, who also drew attention, in a paper he read at the same conference, to the enormous amount of solar energy available in a sun-lit country such as ours. There is no country in the world, "which, by the nature of its geographic, climatic and economic circumstances, is better suited than India to the use of solar energy as a source of power and heat or which can derive greater benefit from it". If, therefore, it is the opinion—even if it is based on tentative estimates—of so eminent a scientist as Dr. Bhabha that the pattern of energy consumption in this country indicates that, while atomic energy might be economically competitive in certain areas, there is enormous scope for the use of the solar energy in several parts of the country, it is only proper that institutions such as the Tata Institute in Bangalore should play their rightful role in what Mr. Tata aptly described as "this exciting adventure".

Obviously, the outside world has taken long strides in both atomic and solar energy since we in India began to think of solar stoves or cookers (thanks to the late Dr. S. S. Bhatnagar) and atomic reactors. Since then much water has flowed under the bridge. Thus, the deliberations at the International Conference and the World Symposium on Applied Solar Energy recently held in America have reached the heartening conclusion that the prospects of practical uses of solar energy are none too distant. Already considerable progress has been made, it is said, towards the solution of many complex, scientific and technological problems. Mr. Tata alluded to some interesting achievements made by other countries which are worth noting. Thus, France is reported to be building a 1000 kw. solar furnace for high temperature industrial applications, while Italy has developed a solar irrigation pump, and the US Air Force has been supporting a project for converting solar energy into chemical energy through the production of hydrogen from water and its subsequent conversion into electrical energy in a hydrogen-oxygen fuel cell. All these applications of solar energy could indeed be profitably employed in our country also and all efforts, made by any agency, to place them at the disposal of the Indian people must be welcomed. But it is always prudent and statesmanlike to avoid duplication of effort or avoidable clashes in these matters even at the start. Mr. Tata did well, therefore, to acknowledge the work on solar energy already done by the National Physical Laboratory, even while pleading for the concentration, in the Indian Institute itself, of all fundamental and applied research in this field.

COMPANY AFFAIRS

THE TATA MILLS LTD.

The profits of the Tata Mills Ltd. have more than doubled during the year to December, 1955, compared to the previous year. During the year under review, the profits, after providing Rs. 10 lakhs for bonus, Rs. 20 lakhs for depreciation and Rs. 55,800 for taxation, amount to Rs. 7,69,550 against Rs. 3,39,552 in the previous accounting period. Adding thereto Rs. 11,417 brought forward, the total available for distribution is Rs. 7,80,967, from which the Directors have appropriated Rs. 6,52,482 to Dividend Reserve Account and Rs. 35,000 to Gratuities Account, leaving a balance of Rs. 43,485 to be carried forward. The proposed dividend on ordinary shares is Rs. 4 (Rs. 2-8-0) without deduction of income-tax (to be paid out of the Dividend Reserve Account).

Trading conditions were favourable during the year. No further controls were imposed on the industry and there was a sustained demand for cloth at remunerative prices. For the first time since partition, the Indian cotton supply position became easy, the quota system was abolished and mills were able to secure their requirements at satisfactory rates.

In pursuance of the Company's plan for the reorganisation and renovation of the mills, machinery of the value of Rs. 16,70,000 was installed in 1955. At the end of the year, machinery of the value of Rs. 1,90,000 which was received had still to be installed. The authorised capital of the Company has been increased from Rs. 66,12,500 to Rs. 1,00,00,000 by the creation of 1,35,500 new ordinary shares of Rs. 25 each.

SVADESHI MILLS CO., LTD.

Like those of its sister concern, the Tata Mills, Ltd., the working results of the Svadeshi Mills Company have also shown substantial improvement during the year ended December 31, 1955. The profits for the year, after providing Rs. 19,00,000 for depreciation, amount to Rs. 15,77,509 against Rs. 8,30,903 in the preceding year. Adding Rs. 43,799 brought forward, the total amount available for distribution is Rs. 15,91,308, from which Rs. 14,88,697 have been appropriated to Dividend Equalisation Fund and Rs. 35,000 to Gratuities Account, leaving Rs. 67,611 to be carried forward. The Directors have recommended payment of a dividend of Rs. 5 (Rs. 5) on preference shares free of income-tax and Rs. 12 (Rs. 8) on ordinary shares without deduction of income-tax.

In accordance with the Bombay bonus agreement, the Company will have to pay the minimum of 4.8 per cent of the basic wages, which will amount to about Rs. 2,00,000 each for 1953 and 1954. Further progress was made in the reorganisation and renovation of mills. Machinery of the value of about Rs. 37,11,000 was installed in 1955. At the end of the year further machinery of the value of about Rs. 3,62,000 was received.

THE BANGALORE MILLS CO., LTD.

The working results of the Bangalore Woollen, Cotton and Silk Mills Co., Ltd., for the year ended December 31, 1955, show that, after allowing Rs. 18,17,314 for depreciation but before providing for taxation and bonus to employees, there is a profit of Rs. 56,34,938. Adding the unappropriated profit brought forward of Rs. 2,44,711, the total sum available for disposal amounts to Rs. 58,79,649. Out of this, the Directors have recommended payment of a dividend of Rs. 3 per share, for the half-year ended June 30, 1955, free of income-tax, on the 6 per cent cumulative preference shares, which absorbs Rs. 18,000. An equal

dividend for the half-year ended December 31, 1955, absorbs another Rs. 18,000. The interim dividend of Rs. 10 per ordinary share, for the half-year ended June 30, 1955, free of income-tax, takes away Rs. 4,05,000. Another Rs. 3,10,000 are to be paid as final dividend at Rs. 20 per ordinary share for the year ended December 31, 1955, free of income-tax. After making provision for taxation amounting to Rs. 20,25,000, bonus to employees for 1955 Rs. 10,90,000, general reserve Rs. 9,00,000, workpeople's housing fund Rs. 3,00,000 and officers' retiring fund Rs. 75,000, there remains a balance of Rs. 2,38,649 which is proposed to be carried forward.

During the year, production and sales showed a further increase, but it was not found possible to raise selling prices to cover the cess and excise duties imposed early in the year on Woollen and Union fabrics. In fine cotton section also, there was need to meet increased competition. This has resulted in comparatively reduced profit margins and, therefore, the unusually high level of profits attained in 1954 could not be reached.

The Government has given consent to the Company's proposal to capitalise Rs. 81 lakhs of the general reserve by the issue of two ordinary shares for each such share held. The Directors, however, now feel that the present position is uncertain and that it is in the interests of the Company to defer action for the present.

MADURA MILLS CO., LTD.

The accounts of the Company for the year ended December 31, 1955, show a net profit of Rs. 44,20,509, after allowing for taxation amounting to Rs. 33,66,000, depreciation Rs. 18,72,633, and managers' commission (Rs. 10,01,154 less Rs. 28,150 charged to capital) amounting to Rs. 9,73,004. After taking into account the credit carried forward from the previous trading period, there is a balance of Rs. 53,87,309 at the credit of Profit and Loss Account. The Directors have recommended payment of a dividend of 20 per cent, free of tax, and the balance of Rs. 18,86,813 is carried forward.

The bonus to workers and staff for the year under review is hoped to be decided shortly. Any such bonus to be payable will be treated, as usual, as a charge against the trading results of the current year.

THE ORISSA MINERALS DEVELOPMENT CO., LTD.

The Profit and Loss Account of the Company for the half-year ended June 30, 1955, shows a credit balance of Rs. 3,05,053. This is after providing Rs. 89,344 for depreciation, Rs. 1,50,000 for taxation, and taking Rs. 15,217 to provision for staff and workmen's accident and compensation, Rs. 50,760 to tax contingency reserve and Rs. 1,40,000 to mechanisation reserve and including Rs. 11,217 development rebate reserve written back, Rs. 1,50,000 taxation provision no longer required and Rs. 91,384 brought forward from the previous half-year. The Directors have proposed to pay a dividend of 20 per cent per annum on 200,000 ordinary shares, without any deduction for income-tax paid by the company, which absorbs Rs. 2,00,000. The balance of Rs. 1,05,053 is carried forward.

Both raisings and despatches of iron ore at 220,283 tons and 224,788 tons, show a fall compared to the previous half-year's 303,531 tons and 310,459 tons respectively. Shipments to Japan at 48,811 tons are, however, over 2½ times that of the 19,002 tons in the previous half-year. Raisings of manganese dioxide also show a decrease of 580 tons, though sales have increased by 473 tons compared to the previous period. Manganese ore raisings have increased but sales have recorded a sharp drop from 27,388 tons during the previous half-year to 16,959 tons in the period under review.

COMMODITY NEWS AND NOTES

NEW INTERNATIONAL TEA AGREEMENT

The new standard export quotas suggested for the participating countries under the new International Tea agreement, expected to be signed soon, totalled 1,122.5 million lb. This quantity is considerably higher than the old standard export quota, which amounted to 808.4 million lb. The quota assigned under the new agreement is 500 million lb. for India, 47.5 million lb. for Pakistan, 400 million lb. for Ceylon and 175 million lb. for Indonesia. The corresponding figures under the old agreement were 348.24 million lb., 35 million lb., 251.59 million lb. and 173.6 million lb. It is further understood that for the time being the restrictive clauses on replanting, extensions and exports have been suspended.

EXPORT OF HUSKED RICE

The Government of India have decided to resume licensing of export of husked rice "to certain extent", against pre-ban commitments, according to a press note issued by the Joint Chief Controller of Exports. Shipments against the pre-ban commitment would be allowed up to April 22 only and no extension beyond that date would be granted. Export of husked rice outside India was banned in view of rising prices on January 19, 1956. Later exports were permitted against pre-ban firm commitments until early in March, when they were again stopped.

WORLD WOOL CONSUMPTION

Estimates compiled by the Commonwealth Economic Committee indicate that world consumption of virgin wool during 1955 reached a total of 2,580 million lbs. (clean), an increase of 3 per cent over the figure of 2,502 million lb. recorded for 1954. The estimate for 1955 is the third largest since the war, having been exceeded only in 1950 and 1953, when the respective aggregates were 2,681 million lbs. and 2,631 million lbs. (clean), respectively. In the eleven countries, which together use about two-thirds of the world's wool, consumption last year increased by 4 per cent over 1954, the outstanding advances being in the USA (9 per cent), West Germany (9 per cent) Japan (13 per cent) and Canada (22 per cent). In the United Kingdom, still the largest user of wool in the world, the increase over the year was 3 per cent, but there was a sharp increase of 14 per cent in the final quarter of the year. Wool consumption in France, however, was 4 per cent less than in 1954, and in Italy the fall was 6 per cent, but France—like the U.K.—registered a sharp increase in consumption in the final quarter. Outside the eleven large manufacturing countries, wool consumption in the rest of the world during 1955 is estimated at 2 per cent more than that in 1954. Approximately half the rest of the world total is accounted for Russia, Eastern Europe and China, consumption estimates for which are 3 per cent higher than in 1954.

PAKISTAN'S RAW JUTE EXPORTS

Sales of raw jute for export declined sharply to 169,451 bales during the fortnight ended March 15, 1956, from 223,157 bales in the corresponding period of the previous month, according to figures released by the State of Pakistan. The UK topped the list

of buyers with a purchase of 23,896 bales, closely followed by Poland with 23,095 bales. Of the total sales, during the fortnight under review, the Sterling area accounted for 48,506 bales, the Dollar area for 15,475 bales. Continental area for 95,686 bales and other areas for 9,784 bales.

WORLD TIN PRODUCTION IN JANUARY, 1956

The world's mines produced only 13,900 tons of tin-in-concentrates during January, 1956, a drop of 1,100 tons from the December total. Yet Malaya's output was the highest ever at 5,531 tons. In the previous month it was 5,090 tons. Tin metal in Malaya was a post-war record at 6,995 tons, an improvement of nearly 2,000 tons on December. Indonesia was one of the areas which proved disappointing in the concentrates field, her January, 1956 total being 1,999 tons compared with 2,239 tons in December, 1955.

FALL IN US RUBBER CONSUMPTION

US consumption of natural and synthetic rubber in February, 1956, a short working month, fell to 125,292 against 133,013 tons in January, 1956. Natural consumption in February was 49,915 tons, against 53,599 tons in the previous month and 50,997 tons in February of 1955. Consumption of synthetic was 75,377 tons, compared with 79,414 tons in January and 67,614 tons a year ago. The ratio of natural used fell during the month by 0.45 to 39.84. U.S. stocks of natural at the end of February 1956 amounted to 110,293 tons and those of synthetic to 147,087 tons.

EXPORT OF FISH MEAL AND MANURE

The export of horn and hoof meal, sterilized animal meal, and blood meal will continue to be licensed freely up to the end of June 1956, against no objection certificates from the Governments of States, from which these manures are obtained for export. A quota of 500 tons has been fixed for the export of fish guano from the Port of Bombay during the current half year, January-June, 1956. The export of fish meal and fish manures from the port of Bombay will be allowed within the portwise ceilings of 800 tons during the rest of the current half-year on a "first come first served basis."

RUBBER PROSPECTS FOR 1956

According to a leading American rubber consultant, 1956, would be a good year for natural rubber throughout the world. With booming demand everywhere, any excess of production over consumption at the end of the year would be in synthetic and not natural rubber. The anticipated fall in US car production this year would not materially affect the prospects of natural rubber. The cut would have no drastic effect as world consumption was expanding rapidly. In 1956, output and consumption of natural rubber would exceed 1.9 million tons each. Of this America would use nearly 600,000 tons. Natural rubber producers should establish a technical liaison service as only through such a body could natural rubber be sold on a bigger scale and its range of uses expanded.

Company Meeting

THE AHMEDABAD ELECTRICITY CO., LTD.

Speech delivered by the Chairman, Mr. K. G. Milne

Gentlemen,

The year under review has been one of continued growth and consolidation, culminating in the peak demand on your Power plant reaching 100,000 KW. Your Directors have always adopted a progressive policy coupled with a spirit of initiative and as a result the expansion of your Company's power facilities is ahead of the demand, which affords the City of Ahmedabad an enviable position when compared to many other places in India.

Unfortunately the fortunes of few industries today are conditioned solely by their own foresight, however astute. External factors intervene to nullify the most careful planning, and the Electricity Supply Industry has come in for more than its share of such intervention. It is solely on account of this that your Directors have thought fit to propose to you a cut in the year's dividend from 6½ per cent to 5 per cent, and as you may well be very disappointed at this, as your Directors are also, I will discuss at some length the factors which have influenced your Directors to come to this decision and about which I gave you warning at this time last year.

In 1946-47 your Company's plant capacity was of the order of 37.5 MW. This rose to 97.5 MW. in 1950-51, and in 1954-55 the plant capacity had reached 142.5 MW., when the combined subscribed Share Capital and Debentures stood at Rs. 10,75,00,000. A further 15 MW. Turbo-Alternator Set has recently been placed on order to meet the ever-increasing demand, a demand which in your Company's area of supply is increasing by an average of more than twice the accepted world average of 7 per cent. It is this very magnitude and pace of expansion in recent years, which, paradoxical though it may seem, has reacted to penalise the investor.

During these years of rapid investment and expansion with high-cost plant and attendant high annual capital charges, and with rising expense levels generally, even the very modest return permitted under the Electricity (Supply) Act has not been achieved for several years past. For the year under review we are short of it by the calamitous figure of Rs. 27 lakhs. We have been caught by the continued necessity to expand even within the by no means adequate level of return prescribed under the Electricity (Supply) Act what time our charges for Electricity have been conditioned by politics and by the contradictions inherent in diverse provisions of the Electricity (Supply) Act versus the Indian Income Tax Act, as repeatedly stressed from this Chair at former Annual General Meetings. Hence it has only been possible to keep up our moderate dividend level at all by drawing subsistence from the tax relief resulting out of accelerated Depreciation Allowance given under the provisions of the Income Tax Act, but which properly should have been made additionally available for us to place in Reserve to meet

the corresponding future tax liability which must arise when the Allowances decelerate in their turn.

The proposal of the Company in April 1954 to put its house in order by a 15 per cent increase of its rates, was overtaken by the imposition by Government of a Rating Committee whose Report is common knowledge to you all. This was followed by the freezing of the Company's old rates where they stood, and until circumstances changed. In the meantime the Company referred for arbitration by the Central Electricity Authority the long-standing dispute with the State Government over the admissibility of interest on Loan and Debenture Capital as an item of operating expenditure for purpose of determining the Clear Profit. The Award of the Central Electricity Authority in the Company's favour was not announced until April 1955, but when it came it proved a fundamental change in the circumstances as viewed by the Rating Committee, and there followed at once a resumption of negotiations with the State Authorities for an upward revision of rates. Unfortunately even then these negotiations were prolonged; and it was only at the beginning of the current year that an 8½ per cent surcharge on supplies to Industrial and Commercial H.T. Consumers could be effected. No benefit to the Company's finances could, therefore, accrue during the year ended September 30, 1955. The delays and curtailments inherent in these developments, which have been entirely beyond the Company's control, have culminated in the diminution in the Company's disposable surplus to the point we have reached in the proposal for a lower dividend.

It might be asked whether we could not have availed of the Dividends Equalisation Reserve to a greater extent than Rs. 6 lakhs to maintain the Dividend level, in the hope that earnings hereafter would equal the return permitted under the Electricity (Supply) Act. I may say that your Directors have given most careful consideration to this point, but a number of factors have influenced them to come down on the side of austerity. Our liability for payment of Tax at present deferred is gathering momentum. The final verdict on the liability of the Company for Additional Income Tax in respect of past years, and to which I will refer later, is still unresolved. The margin of profit allowed by the law makes it likely that, even in the best years, subsequent replenishment of free Reserves will be possible only in meagre amount, if at all. In the circumstances it has been thought best to conserve our resources, already drawn down to a level incommensurate with the size and position of the Company, so that we may be better able to meet contingencies which might arise. I feel confidence that in the light of the circumstances you will be in agreement with this policy.

The Electricity (Supply) Amendment Bill introduced in the Lok Sabha in September 1955 still awaits reference to a Joint Select Committee of both the Houses of Parliament. If this materialises during the current Budget Session of Parliament, the Bill will find its

place in the Statute Book before the close of the Company's current financial year. From the financial point of view the principal changes sought to be made to the Electricity (Supply) Act are three. First, the proposal to link the Standard Rate to the Bank Rate with a differential of 2 per cent (instead of the present fixed overall level of 5 per cent). Second, to provide for the Electricity Supply Industry to "avail of the benefits of the Development Rebate permitted under the Finance Act, 1955". Third, to disallow Debenture and Loan Interest as an expense in the computation of permissible Clear Profit, on the ground that Debentures and Loans find their places in the Capital Base upon which the Standard Rate of return is already allowed.

Much has already been said about the need for greater incentive to sustain and promote investment in the Electricity Supply Industry, and it is most unfortunate therefore, that the proposal regarding the Standard Rate as outlined in the Bill will not positively ease the Industry's difficulty in raising finance for expansion. The situation calls for a differential over the Bank Rate of 2½ per cent at least. Even with that, there will be no scope for providing that measure of internal finance which the extensive Capital development programmed for the Industry in the Country's second Five-Year Plan could absorb. With the disappointment prevalent regarding "Electrics" amongst the investing public, approaches to other agencies, e.g. Banks and Investment Corporations, for the necessary finance will become imperative more often than not. What the fate of such approaches will be, and on what terms of interest and security such agencies might lend, if at all, gives much food for thought; especially when viewed in contrast with the very low rate for statutory return delimited for equity capital itself in this Industry. In this connection I should like to say how grateful we are as a Company to the Bank of India Limited for the confidence they have always shown in us, and for the great volume of assistance they have rendered to us on most fair terms over the last few years.

While the proposed revision of the Standard Rate does not enthuse the Industry, the provision in the Bill with regard to a Development Reserve is extremely unwelcome as it stands. Any compulsory appropriation to Development Reserve ranking as a prior charge in the calculation of the Clear Profit would create a perilous position indeed, for who could be sure of being able to earn enough Clear Profit in every year both to meet this prior charge and the full Reasonable Return! An appropriation based, not on revenue surpluses of any year, but on 25 per cent of capital expenditure during that year, must give rise to fluctuations with which the tariff structures of a tightly regulated and capital intensive Industry, such as ours, could never adequately cope. Moreover, the creation as proposed of the Development Reserve visualises no benefit to shareholders, since the Reserve would have to be deducted from the Capital Base and ultimately passed on to any purchasing Authority. The authorities have been specially apprised of the dangers, and the suggestion has been made that at least appropriations to any statutory Development Reserve should be made optional within a limit, so that the virulent threat of such a Reserve encroaching upon the Reasonable Return would be removed.

The proposal to negative the allowance of Debenture and Loan Interest as a charge before arriving at permissible profit, will remove an advantage which played its part in helping us to maintain a level of return sufficient to attract new Capital during all the years of heavy capital expenditure since 1948—the year the controlling Act was passed. During these years we raised and invested in Electric service Rs. 5½ crores of equity capital and Rs. 1½ crores of debentures. Now in fact your

Company stands to lose more from disallowance of interest figures than it stands to gain from the proposed upward revision of the Standard Rate of return. Thus when we asked for bread in the shape of greater incentives to attract more Capital, we are in fact likely to be offered a stone, as the proposals before Parliament are framed at present.

The draft outline of the second Five-Year Plan refers to the need for a re-statement of the Industrial Policy Resolution formulated by Government in April, 1948, so as to indicate "fresh fields to be reserved for public enterprise, the fields in which public enterprise is to take on larger responsibility and the fields in which private enterprise is to function subject to overall regulation and control". Until this re-statement has taken place it is difficult to foresee what the future of the Electricity Supply Industry will be, but considering that the Industry is subject to rigorous financial control by the Electricity (Supply) Act there is no reason why the place at present occupied by the private enterprise of the Industry in the country's power development should not be maintained. There have recently been discordant notes about the respective roles of the Public and Private Sectors, but the Planning Commission has stated that the "two sectors have to function in unison and are to be viewed as part of a single mechanism. The Plan as a whole can go through only on the basis of a simultaneous and balanced development in both sectors". I am entirely in agreement with this view.

To those who repeatedly advocate nationalisation of Electricity Undertakings, the unfortunate position of consumers in Madras State should stand as a warning. For several years, this State has been repeatedly hit by droughts which seriously curtailed Hydro-Electric Supplies, and yet after all these years, the State Authorities, which control 98 per cent of the Generation, have not been able to put their house in order by firming up the Hydro-Electric Plant by suitable additions to the Thermal capacity of their inter-connected system. Once again, this year, consumers are being subjected to drastic rationing in their electric supplies.

The first Budget of the second Five-Year Plan, if nothing much else can be said in its favour, promises to diminish some of the difficulties arising out of the contradictions between the Electricity (Supply) Act and the Income Tax Act in respect of depreciation. The withdrawal of the Initial Depreciation Allowance will assuage the problem of Deferred Taxation to a certain extent; but only to a certain extent, and that in respect of the future. The abolition of Additional Income Tax in its past form relative to Dividend will mean that in future this vexed question will no more plague the Electricity Supply Industry. The Sword of Damocles, however, in the shape of the contingent liability for this Additional Income Tax in respect of the past years still hangs over us, as you will see from one of the footnotes to the Balance Sheet. High hopes were entertained recently that this note would no longer be required, with the Company's freedom from the Tax definitely established when the High Court pronounced its decision in favour of a Company whose position was similar to ours. Since then, however, the Income Tax Department have gone in appeal to the Supreme Court, with the inevitable delay and uncertainty which this entails. Linked closely with the ultimate ruling by the Supreme Court will be the right or otherwise to "gross up" your dividend from your holdings in this Company; so you will still have to wait some time yet to have the long overdue answer to this question. I have told you previously that the Agency Company itself is also involved in this complicated matter and will contest its case at the opportune time.

In November, 1955, the Government of Bombay in the Public Works Department issued a directive to

Licensees in the State that "the consent of the State Government is necessary to declare dividends in excess of 3 per cent until all arrears of depreciation are cleared off". The Central Electricity Authority has since ruled that so long as the depreciation for the year and any instalments in respect of arrears are appropriated there can be no bar to payment of dividends above 3 per cent. This Company never admitted to having any arrears in any case, but the general result is satisfactory and solacing to investors, who had been much worried. This ruling settles one more controversy between the State Governments and the Undertakings in favour of the industry. Another matter recently settled in the industry's favour is her right of an Undertaking to increase its rates to reach the Reasonable Return under the Electricity (Supply) Act although the rates will thereby be brought into excess of the maxima laid down in the Company's Licence.

We have through constant and successful effort so increased the efficiency of the Company's operations as to have been able to counteract a number of those increases in cost which are beyond our control. With coal in particular, a substantial saving, counted in lakhs of rupees, has been affected during the year under review by reason of an average coal consumption of 1.5 lbs./kwh being attained, and this despite deterioration in quality of the coal received. There is a limit, however, to our ability to absorb rising costs, and now-a-days much of the increased cost arises from burdensome levies of the State or of Government monopolies, the latest being the Surcharge to be imposed by the Railway Ministry from the first of next month.

No one can cavil at Government's policy of intervening to shield its citizens at large, whether industrialist, business man or householder against obviously undue burdens being placed on them by monopolists or others. It is, however, exasperating in the extreme for us to see so much time and effort being given by Rating Committees to the examination of the affairs of Electricity Supply Undertakings whose books show they need to increase their rates, and where the necessary actions by and large will have a very small effect on a manufacturer's production cost or on a householder's budget, while State monopolies literally by a stroke of the pen impose much more far-reaching economic burdens on us all, without the public knowing anything about any investigation into their affairs. At least one feels entitled to ask that Rating Committees should not reject the swift and accurate results which may be had from a study of the audited accounts, that normally satisfy everyone else, in favour of bringing in much more delayed findings derived only after pondering a labyrinth of complex calculations in which all but the specialist will certainly be misled.

To the Resident General Manager and his Staff I must express my high appreciation of their service and the standard of efficiency maintained during the year. A competent staff is one of a Company's biggest assets, and we are very fortunate in that. The Company's facilities at Sabarmati Power Station, at Shahpur Road, and at the Office at Lal Darwaja, continue to keep pace with the needs of the situation. As the great need of the day is more and more emphasis on education at all levels, I would like to make special reference to the opening in June, 1955, of a Kindergarden School at Sabarmati, which will supplement the other educational arrangements already assisted by the Company in the locality.

Having commented earlier on the circumstances leading up to the recommendation of a lower dividend for the year under review, and on other aspects of the situation affecting or likely to affect your Company,

there is I think nothing of particular interest for me to add in respect of the Accounts which are before you, and which, together with the notes appended to them, are sufficiently informative.

To conclude—in spite of the set back reflected in the proposal for a lower dividend for the year under review, I feel that the future can be viewed with a modest degree of confidence, and certainly so far as those difficulties are concerned which are within our control. The recent additions to the plant have given the Company an instrument of high technical efficiency which should enable it to earn the statutory Standard Rate prescribed under the Electricity (Supply) Act, given no undue reapplication of external pressures. The question of dividend which should thereby result will of course also be dependent upon the terms of the controlling legislation from time to time, and possibly, therefore, upon the Bank Rate. Given no change in the latter, however, and other things being equal, I would hope to be able to aim for about 6 per cent for future years.

The creation of Maha Gujarat, with possibly Ahmedabad as the capital, should upon up to this Company still further opportunities of growth and service; and I can only hope that before long the law will be so amended as to afford the future investor in our Industry sufficient incentive to remove the least doubt about its ability to fulfil its great task throughout the country. But we must be afforded incentive, and not increasing restrictions, if we are to maintain that balance between the consumer and the investor and the worker which would be ideal. Above all we must be given the freedom to adjust our rates to the economic level necessary to produce a steady commercial yield commensurate with the cost of the development capital we need for ourselves and, through us, for the service of so many others.

BHARAT NIDHI LIMITED

NOTICE is hereby given that the Annual General Meeting of the shareholders of Bharat Nidhi Limited will be held at the Constitution Club, Curzon Road, New Delhi on Thursday, the 26th April, 1956, at 11 A.M. to receive and adopt the Directors' Report and the Audited Statements of Accounts for the year 1955, to declare dividends @ Rs. 6/- per share on Preference Shares, As. -10/- i.e., 6½ per cent on fully paid Ordinary Shares, and As. -2/6 i.e. 6½ per cent on partly paid Ordinary Shares, to elect Directors in place of the retiring ones and to appoint auditors for the current year and fix their remuneration.

Share Transfer Books of the Company shall be closed from the 11th April, 1956 to 26th April, 1956 both days inclusive.

By Order of the Board,

J. B. JAINI

Manager.

New Delhi,
29th March, 1956.

N.B. A member entitled to attend and vote at the meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of himself and the proxy need not be a member.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

Wholesale Prices (General Purposes Index)† Year Ended August 1939=100							Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54	381.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.6
1954-55	339.8	436.2	350.3	377.3	612.4	377.4	90.5	100.7	88.4	113.0
May 1955	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9
June	281.8*	390.4	329.7*	370.0	567.4*	342.5*	90.8	100.6	87.5	113.2
July	309.7*	408.1*	329.6	370.9*	562.6*	355.6*	90.9	100.7	87.8	117.9
August	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.8	122.8
September	313.0	396.1	324.8*	368.8	556.3	353.2	90.9	100.7	87.2	122.8
October	315.7	403.7*	329.8	371.2	559.3	357.2*	91.0	100.7	87.2	124.5
November	326.5	418.9*	338.1	373.3	543.3*	365.0*	91.0	101.0	87.7	129.9
December	323.7*	438.3	346.6	373.0	544.2	368.4	91.0	101.0	87.7	130.6
January 1956	333.4*	454.2*	353.5*	375.2	540.0*	376.0*	91.0	101.0	87.3	125.7
February	335.3	461.0	355.8	375.4	529.1	378.3	91.3	101.1	86.7	121.0
Week Ending 18-2-1956	338.3	460.2	355.5	375.5	528.5	378.7	91.3	101.2	86.8	120.5
25-2-1956	343.0	462.4	357.2	375.3	527.4	380.9	91.3	101.0	85.9	120.1
3-3-1956	343.1*	462.7*	361.3	375.4	528.5*	381.8*	90.9	101.1	85.7	120.2
10-3-1956	339.8	473.3	365.8	376.2	511.1	382.7	90.8	101.1	85.9	121.1
17-3-1956	354.0	471.3	369.5	375.3	512.9	387.8	90.9	101.1	85.9	122.4

†Economic Adviser's Series. ††Reserve Bank Series. *Average of weeks. *Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS (August 1939=100)

Period	Bombay	Bombay June 1934 = 100	Ahmedabad July 1927 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936 = 100	Ludhiana†	Jamshedpur†	All India†
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	108	—	—	—
1940	288	303	243	132	339	471	372	146	309	168	136	134
1941	292	307	248	132	348	478	377	151	323	164	138	136
1942	298	313	267	132	349	434	372	153	325	165	145	136
1943	314	330	261	142	370	451	391	168	334	167	160	144
1944	321	337	250	143	351	441	380	150	330	151	154	141
1945	346	363	275	140	348	453	387	151	351	147	156	145
1946	342	359	244	138	327	408	373	139	341	148	140	136
1947	322	338	218	130	323	371	364	133	321	134	135	132
1948 May	320	336	204	122	316	335	351	128	307	131	129	127
June	317	333	211	123	317	347	359	131	311	131	129	130
July	324	340	224	120	325	371	364	136	316	134	134	132
August	325	341	229	134	329	375	367	137	318	136	138	134
September	317	333	224	133	327	373	367	133	322	138	137	132
October	315	331	225	134	334	385	369	134	323	139	139	134
November	314	330	229	136	339	392	369	138	327	144	141	135
December	312	332	230	140	329	393	375	143	334	148	141	135
1949 January	—	334	—	139	—	404	—	—	334	—	—	—
February	—	337	—	137	—	—	—	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	31-3-1956			24-3-1956			17-3-1956			10-3-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	106- 7	104-15	105- 9	107- 1	104- 2	105-13	105- 4	101- 5	103- 6	101-14	98-11	100- 4
Silver (per 100 fine tolas)	183-13	181- 0	182- 1	183- 1	179- 5	181-12	179- 0	175-11	177-12	178- 8	173-12	174-11

SCHEDULED BANKS

(Rs. in Lakhs)										
Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage of (4)	Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39*	123.81	103.30	227.11	6.38	15.33	9.80	111.34	480	51.05	..
1947-48*	706.63	343.99	1,050.62	39.92	100.81	13.40	427.54	16.32	42.30	..
1948-49	674.58	303.88	978.44	37.51	76.63	11.67	424.85	16.44	45.19	..
1949-50	597.79	272.59	870.38	34.47	65.85	11.53	426.74	15.35	50.79	..
1950-51	599.13	278.45	877.59	34.68	60.78	10.88	447.03	11.81	52.29	303.45
1951-52	593.73	290.82	884.55	37.33	57.29	10.70	523.59	22.81	63.06	306.34
1952-53	546.23	309.26	855.49	33.33	51.82	9.95	461.64	28.47	60.48	321.29
1953-54	626.75	328.26	955.00	31.97	44.48	8.98	442.79	51.40	59.56	339.74
1954-55	559.62	351.86	911.48	32.66	53.91	9.50	468.39	84.66	62.08	..
Average of Fridays										
August 1955	605.00	499.09	1,014.08	34.15	49.19	8.22	495.96	110.80†	61.76	373.92
September	604.02	413.69	1,017.87	33.22	54.14	8.58	498.19	108.18†	61.15	381.86
October	612.82	422.95	1,035.77	33.98	59.64	9.94	484.87	105.51†	59.24	390.42
November	612.61	423.85	1,036.46	35.22	57.05	8.90	491.93	105.00†	59.79	393.43
December	613.68	422.24	1,035.92	38.93	58.38	9.39	503.02	107.60†	61.04	390.56
January 1956	638.02	411.70	1,049.72	36.96	56.92	8.94	533.75	130.85†	64.21	382.55
February	631.25	415.19	1,046.45	35.18	54.67	8.59	551.12	138.15†	60.58	378.04
Week Ending 17-3-1956	630.11	416.89	1,047.01	36.31	49.90	8.23	553.56	137.49†	66.68	377.44
24-2-1956	631.06	418.08	1,049.14	34.82	53.26	8.40	555.13	141.88†	66.96	375.26
2-3-1956	623.12	418.70	1,041.82	34.78	54.47	8.57	564.46	147.41†	68.99	373.54
9-3-1956	612.28	416.77	1,029.04	33.91	48.09	7.97	578.02	143.13†	70.51	366.74

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY IN INDIA

(Lakhs of rupees.)

Last Friday	Money supply	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Total deposits with Reserve Bank (excluding those of central Govt. & Banks)	
(1)	(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1952-53	1,784.53	1,199.25	585.30	548.95	36.35	-44.30
1953-54	1,856.57	1,229.43	627.14	549.83	77.30	+72.02
1954-55	1,980.90	1,311.77	669.13	599.18	69.97	+124.33
January 1955	1,877.73	1,245.91	631.82	601.04	30.78	+28.84
February	1,915.34	1,272.35	643.00	610.04	32.96	+37.61
March	1,980.90	1,311.77	669.13	599.18	69.97	+65.58
April	2,003.14	1,342.90	660.23	614.26	45.98	+22.24
May	1,989.50	1,348.41	641.09	616.96	24.12	-13.64
June	1,988.42	1,343.74	644.67	623.43	21.24	-108
July	1,974.91	1,324.80	650.11	619.53	30.58	-13.51
August	1,995.61	1,314.74	680.88	632.86	48.02	+20.79
September	1,963.40	1,309.69	654.71	632.36	22.35	-30.21
October	2,008.47	1,331.40	677.08	635.72	41.35	+43.07
November	2,014.88	1,351.24	663.64	640.40	23.24	+6.41
December	2,059.37*	1,387.54*	671.83*	650.07*	21.77	+44.49*
January 1956	2,113.47*	1,407.83*	705.65*	674.74*	30.90	+54.19*
February	2,125.39*	1,435.67*	689.72*	662.29*	27.43	+11.92*

* Provisional.

Source: Monthly Bulletin of Reserve Bank.

SUMMARY OF WAYS AND MEANS BUDGET

(In cores of rupees)

Receipts	Accounts 1951-52	Accounts 1952-53	Accounts 1953-54	Accounts 1954-55	Accounts 1955-56	Budget 1956-57
1. Revenue ^{Surplus}	1,28.09	38.93	8.50	33.51	12.31	..
2. Rupee Loans raised	50.37	0.07	75.30	1,58.10	1,03.68	1,00.00
3. Net sales from Cash Balance Investment Account	..	..	46.21	3.14	13.70	..
4. Other Loans raised	60.93	35.53	1.53	1.23	9.73	40.10
5. Small Savings (Net)	38.47	40.15	37.81	54.61	64.80	69.95
6. Repayment of Loans by—						
(a) States	12.22	13.80	13.21	17.47	26.61	27.26
(b) Others	1.70	3.16	5.69	6.48	10.24	14.79
7. Railway Funds—						
(a) Depreciation Reserve	33.79	34.43	33.98	33.72	48.63	48.71
(b) Revenue Reserve	19.12	2.26	1.13	1.19	8.50	1.54
(c) Development	10.65	12.76	3.30	9.70	2.84	23.27
8. Treasury Bills (Net)	..	0.96	19.66	1,36.92	2,40.00	3,90.00
9. Other debt heads (Net)	35.07	..	22.78	36.86	87.41	95.71
10. Opening Balance	1,61.78	1,62.68	99.14	37.49	32.01	50.10
TOTAL	5,52.19	3,42.78	3,68.24	5,30.42	6,60.46	8,61.49

SUMMARY OF WAYS AND MEANS BUDGET (Contd.)

(In cores of rupees)

Disbursements	Accounts 1951-52	Accounts 1952-53	Accounts 1953-54	Accounts 1954-55	Accounts 1955-56	Budget 1956-57
1. Revenue Deficit	..	..	..	..	..	51.83
2. Capital Expenditure—						
(a) Defence	10.17	5.96	10.16	8.47	20.40	26.30
(b) Railways	23.21	7.05	11.85	32.25	72.08	1,13.43
(c) Others	84.80	26.11	2.17	1,26.69	77.25	1,77.01
3. Loans by Central Government—						
(a) To States	60.77	91.97	1,24.03	1,93.27	2,50.98	2,74.26
(b) To others	13.31	10.38	19.33	29.70	55.67	96.00
4. Discharge of debt	87.94	5.89	1,15.33	49.43	73.12	4.56
5. Net Purchase in Cash Balance Investment Account	22.23	15.60	..	..	..	..
6. Drawal from Railway Funds—						
(a) Depreciation Reserve	35.87	40.89	38.02	45.62	48.57	45.42
(b) Revenue Reserve	(—).18	(—).04	..	..	(—).02	..
(c) Development	7.70	8.10	9.81	12.78	12.31	22.17
7. Treasury Bills (Net)	43.69	..	..	..	..	..
8. Other Debt Heads (Net)	..	31.73	..	..	..	..
9. Closing Balance	1,62.68	99.14	37.49	32.01	50.10	50.51
TOTAL	5,52.19	3,42.78	3,68.24	5,30.42	6,60.46	8,61.49

INDIA'S BALANCE OF TRADE IN MERCHANDISE

(In lakhs of rupees)

Monthly averages or calendar months	Exports and Re-exports By Sea and Air*	By land	Imports By Sea and Air*	By land	Balance†
1948	35.53	2.53	41.39	7.08	— 5.86
1949	36.62	2.97	55.52	3.38	—14.62
1950	45.44	1.31	43.30	3.28	— 1.05
1951	63.58	1.74	65.04	6.16	— 7.23
1952	49.31	2.23	64.65	2.17	—15.97
1953	43.68	60	46.92	1.90	— 4.55
1954	46.40	52	49.51	1.81	— 4.42
1955	48.96	52	51.58	2.27	— 4.36
1954 January	44.06	56	38.92	2.30	+ 3.40
February	40.19	56	39.39	1.82	— 46
March	45.79	78	49.10	1.51	— 4.06
April	30.97	60	46.97	1.22	—16.62
May	38.26	41	50.60	1.60	—13.50
June	42.72	55	50.06	1.57	— 8.41
July	49.90	46	54.19	1.51	— 8.37
August	45.32	28	49.15	1.22	— 4.82
September	50.15	37	51.63	1.79	— 2.94
October	47.12	49	55.10	2.31	— 9.84
November	65.54	51	61.46	2.49	+ 1.58
December	60.25	65	47.55	2.31	+11.01
1955 January	54.22	36	50.56	2.17	+ 1.83
February	50.08	48	55.97	2.70	— 8.11
March	47.15	56	55.29	2.51	—10.05
April	39.27	50	49.87	1.53	—11.65
May	44.03	48	49.19	2.03	— 6.75
June	46.74	89	49.37	1.94	— 3.67
July	51.50	43	50.00	1.62	+ 29
August	51.06	29	44.78	1.64	+ 4.93
September	56.79	38	48.19	3.02	+ 5.97
October	47.06	34	49.61	2.18	— 4.38
November	48.60	60	59.98	2.73	—13.49
December	51.09	93	56.16	3.17	— 7.30

* Trade of Kutch included from June 1948 and trade of Travancore, Saurashtra and Baroda from April 1949. 1948 figures relate to April-December.
† Balance, plus (+) indicates net exports and minus (—) net imports. Figures from April 1949 include land frontier trade with Pakistan, Afghanistan and Iran and exclude transit trade of foreign countries and India's border passing through Indian ports. Land Frontier trade with Burma has also been included from September 1951.

MERCHANT SHIPPING **Tonnage of Vessels Entered and Cleared with Cargoes**

(In thousands tons)

	Foreign Trade						Coasting Trade*					
	Tonnage entered			Tonnage cleared			Tonnage entered			Tonnage cleared		
	Total	Indian	Foreign	Total	Indian	Foreign	Total	Indian**	Foreign	Total	Indian**	Foreign
1948† (Monthly Averages) ..	646	16	630	567	19	548	558	106	452	569	109	460
1949 ..	741	21	720	559	30	529	643	151	492	622	150	472
1950 ..	670	38	632	607	50	557	638	245	393	652	247	405
1951 ..	777	54	723	647	66	581	796	362	434	764	371	393
1952 ..	775	56	719	743	76	667	837	397	440	825	418	407
1953 ..	750	50	700	685	87	798	898	440	458	871	452	419
1954 ..	753	55	698	800	79	721	898	438	460	880	442	438
1953 July ..	793	73	720	900	78	822	758	251	507	576	275	301
August ..	710	47	663	840	88	752	751	273	478	808	319	489
September ..	670	38	632	870	84	786	801	329	472	746	410	336
October ..	840	45	795	944	74	870	923	387	536	803	408	395
November ..	696	49	647	859	68	791	862	510	352	934	480	454
December ..	697	31	666	986	93	893	1,016	609	477	1,139	614	525
1954 January ..	796	55	741	855	105	750	922	622	400	923	541	382
February ..	695	59	636	707	77	630	1,096	595	501	1,043	594	449
March ..	799	31	768	821	72	749	1,105	539	566	1,031	515	516
April ..	546	29	517	791	83	708	929	536	393	952	518	434
May ..	746	56	690	778	61	717	984	479	505	924	472	452
June ..	776	51	725	744	64	680	718	307	411	613	302	311
July ..	779	57	722	755	81	674	647	237	410	588	252	336
August ..	689	58	631	657	58	599	822	371	451	691	357	334
September ..	762	72	690	743	84	659	733	290	443	765	316	449
October ..	846	50	796	875	85	790	889	422	467	1,059	418	641
November ..	881	69	812	1,072	83	989	1,044	504	540	1,039	542	497
December ..	726	70	656	805	96	709	882	451	431	936	449	487
1955 January ..	842	74	768	826	116	710	1,044	500	544	1,027	515	512
February ..	742	70	672	695	82	613	864	500	364	1,083	530	553
March ..	932	87	845	762	90	672	957	489	477	1,130	485	645
April ..	737	64	673	620	63	557	830	411	419	1,053	432	621
May ..	767	46	721	731	67	664	..	..	..	..	..	..
June ..	806	58	748	715	83	632	..	..	..	..	..	..
July ..	869	63	806	741	59	682	..	..	..	..	..	..
August ..	787	64	723	742	81	661	..	..	..	..	..	..
September ..	763	57	706	667	85	582	..	..	..	..	..	..
October ..	817	73	744	627	65	562	..	..	..	..	..	..

(†) April to December.

(*) Includes tonnage of vessels engaged in Foreign Trade after their arrival at the first and before departure from the last Indian ports.

(**) Separate figures distinguishing the nationalities of country crafts entering into the coasting trade are not available.

Source: Ministry of Commerce and Industry.

RESERVE BANK OF INDIA

Applications are invited for the following posts in the various departments of the Reserve Bank of India:

(A) POSTS AND SCALES OF PAY:

1. Research Officers, Department of Research & Statistics Rs. 375-55-815 E.B. 55-925-60-1045.

The appointments to the above posts will be made on a temporary basis in the first instance but are likely to be made permanent.

Note: Candidates possessing exceptionally good qualifications and experience may be given a higher starting salary in the prescribed scale.

2. Probationary Assistants Rs. 250-25-450 E.B. 25-650

Note: Promising Probationary Assistants will be eligible for promotion as officers in the scale of Rs. 375-55-815 E.B. 55-925-60-1045.

(B) ADDITIONS TO PAY

1. Local pay: 10% of pay with a minimum of Rs. 10/- per mensem rounded up to next higher complete rupee to the staff working at Bombay, Calcutta, Madras, Delhi, Kanpur and Ahmedabad.

2. House rent allowance

Research Officers: 15% of pay with a minimum of Rs. 60/- and a maximum of Rs. 300/- per mensem.

Probationary Assistants: 10% of pay with a maximum of Rs. 50/- per mensem.

3. Dearness Allowance: At prescribed rates.

Research Officers: The present rate is 16-2/3% of pay with a maximum of Rs. 125/- per mensem.

Probationary Assistants: Rs. 65/- per mensem for pay (including local pay) up to Rs. 300/- per mensem.

(The rate of Dearness Allowance is subject to revision from time to time).

(C) AGE LIMIT AS ON 1st MAY 1956:

Research Officers: Candidates should not ordinarily be over 30 years of age. The age limit may be extended up to 35 years in the case of candidates with exceptional qualifications and/or research experience of value to the Bank.

Probationary Assistant: Candidates should not ordinarily be over 24 years of age.

Age limit may be extended but not beyond 30 years in the case of candidates possessing special qualifications and experience of value to the Bank and also in the case of

- (i) candidates with approved war service,
- (ii) ex-employees of Banking Institutions whose services have had to be terminated for reasons of economy or as consequence of the closure of unremunerative branches or as a result of the Banks going into liquidation.
- (iii) personnel retrenched from Government offices after atleast one year's service, applying through the Employment Exchange, and

(iv) candidates belonging to the Scheduled Castes or Scheduled Tribes.

(D) QUALIFICATIONS

1. Research Officers, Department of Research & Statistics

First or high second class Master's degree in Economics, or Commerce or Statistics/Mathematics of an Indian or foreign University or a Doctorate degree in Economics or Statistics of an Indian or foreign University and a period of research work in one or more of the subjects, viz., (a) monetary economics, (b) banking theory and practice, (c) international finance, and (d) sampling theory and econometrics etc.; a period of practical banking training will be an additional qualification in respect of applicants with specialisation in (a) and (b).

(2) Probationary Assistants:

Applicants should have had a brilliant academic record and must possess a first or very high second class Master's degree or a first class Bachelor's degree of a recognised Indian or foreign University in Economics, Commerce, Banking, Accountancy, or Law as a special subject of study.

THE BOARD WILL INSIST ON A VERY HIGH STANDARD OF SUITABILITY IN MAKING SELECTIONS FOR THE ABOVE POSTS AND ONLY CANDIDATES WHO POSSESS GOOD ACADEMIC QUALIFICATIONS AND ADEQUATE EXPERIENCE OF THE TYPE SPECIFIED ARE ADVISED TO APPLY.

Candidates who wish to apply for more than one category of posts must submit separate applications accompanied by separate application fees.

The selected candidates for the posts of Research Officers will ordinarily be on probation for a period of 3 years which may be reduced or extended at the Bank's discretion. Candidates selected for the Probationary Assistants' posts will also be on probation for a period of 3 years during which they will be liable to be discharged at one month's notice or pay in lieu thereof. Candidates selected for the Research Officers' posts will ordinarily be stationed in Bombay but those selected for the Probationary Assistants' posts must be prepared to serve in any office of the Bank in India.

Applications should be in a special form to be obtained from any office of the Reserve Bank. All the applications should be accompanied by copies of two testimonials (originals should not be sent; the Bank does NOT accept responsibility for returning the originals if sent through oversight) and forwarded to the Secretary, Central Recruitment Board, Reserve Bank of India, Central Office, Post Box No. 406, Bombay No. 1 so as to reach him on or before 1st May, 1956. Candidates already in service must submit their applications through their employers. Candidates belonging to Scheduled Castes or Scheduled Tribes should mention this fact prominently on their applications.

Applicants for the above posts must remit application fees of Rs. 7-8-0 per application by Postal Order, Cheque or Bank Draft on a SCHEDULED BANK PAYABLE AT BOMBAY along with the application. The application fee is in no case refundable. Bonafide refugee candidates who are NOT IN EMPLOYMENT applying through any of the Government Employment Exchanges are exempted from payment of application fees while in the case of Scheduled Castes/Scheduled Tribes candidates the fee will be reduced to 1/4th.

ATUL

DYES CHEMICALS PHARMACEUTICALS



THE ATUL PRODUCTS LIMITED

100, 101, 102, 103, Western Railway

The Eastern Economist

VOL XXVI. NO. 15.

NEW DELHI: APRIL 13, 1956.

ONE RUPEE

CONTENTS

	Page		Page
Leading Articles:		Special Articles:	
THE ELECTIONS IN CEYLON	589	THE CITIZEN AND THE STATE—II by Sardar K. M. Panikkar	605
A CREDIT SQUEEZE	591	INDO-RUSSIAN SHIPPING AGREEMENT	608
MINERAL POLICY	592	BOOK REVIEW	608
THE WEEK'S NOTES	593	The Business World:	
Food Policy; Mysore's Lead; Authors' Rights; The North-East Frontier; Spain's Gesture to Morocco; Britain's Balance of Payments; Mobile "Know-How".		Towards Healthy Investment Climate	609
WINDOW ON THE WORLD:		Electricity Legislation	610
Odysseus on "The Dog in the Barnyard"	597	BUSINESS NOTES	613
A Delhi Diary	599	American Cotton Export Plan; Steel From Poland; Paint Manufacturers' Grievances; Indian Shipping Enters Tanker Trade; Textile Industry in Madhya Pradesh; Subsidies for Flying Clubs.	
ECONOMIC REPORT FROM THE U.S.:		COMPANY AFFAIRS	616
Housing Boom in America	600	COMMODITY NEWS AND NOTES	616
WORLDGRAM AND NEWS IN BRIEF	601	CURRENT STATISTICS	619

The Elections in Ceylon

YESTERDAY, April the 12th, saw a historic change in the political life of the island of Ceylon; it may be the change will have great repercussions on world policy in so far as it relates to South-East Asia. Mr. S.W.R.D. Bandaranaike, the leader of the victorious Mahajana Eksath Peramuna (People's United Front) Party, is at the moment an unknown quantity. He comes to office with a great majority, implying that parliamentary considerations alone will not restrict his operations. His party, which there is every reason to believe is united behind his leadership, has won 51 seats out of the 90 seats which had been declared by yesterday afternoon. Of the remaining 11 seats in Ceylon's House of Representatives, it is likely that Mr. Bandaranaike's party

will obtain at least half. There is thus an absolute majority which stands behind Ceylon's new Prime Minister. He is also likely to receive some support from other parties, and even Sir John Kotelawala, in a dignified parting message, has offered "support for every measure designed for the good of the country and its people".

To say that this sweeping victory of the Socialist Mahajana Eksath Peramuna Party was totally unexpected is a mild understatement. The appeal to the polls would never have been undertaken by Sir John had not his advisers been totally misguided about the strength of the party and his platform. The platform, in the main, one which must now look trivial

irrelevant, namely, whether Sinhalese should become the sole State language. Only a party which was absurdly cocksure of the entire Sinhalese vote, could have afforded to alienate Tamils with this spearhead for an election. But it is quite clear this is by no means the only reason for Sir John's discomfiture. The Federalist Party, which should have been more favoured by the Tamils than any other and was expected to benefit from the language choice of the Government party, has obtained 10 seats. Language was the main issue in the election, but paradoxically, it does not seem to have been an important issue in the result.

Nor, indeed, was international policy a large issue in the election, or a determinant in any large measure of the result. Nevertheless, the international repercussions are very great by any standards. Mr. Bandaranaike's victory has already resounded all over the world. We in India have a special interest in his victory because there is no doubt that he shares in broad outline India's neutralist outlook so far as the Cold War is concerned. In particular he has declared himself against military alliances, and has even proposed the withdrawal of the bases at Trincomalee for the British Navy and at Negombo for the British Air Force. It is one of the paradoxes of democratic systems that, quite often, the largest consequences of political changes result from issues incidental to those on which the great battles of politics are fought. The international shift has been, so to speak, only a by-product of this election; on this there is no clear verdict. This is not to state that Ceylon's opinion is not neutralist. All that can be said is that, by and large, its neutralism has not been proved. That makes no difference to the final result, which is that Ceylon has now a neutralist Government.

There can be no reasonable doubt that the main reason for Mr. Bandaranaike's success has been a growth in the passion for Socialism in Ceylon alongside, it may be, its growth in India. There can be no doubt that the roots of this passion are not based in poverty alone. Ceylon enjoys a standard of living which, in current per capita national income terms, is reckoned as double that of India. There is still, it is true, some pressure of poverty. But by South-East Asian standards radicalism in Ceylon cannot be attributed to poverty. It is almost entirely the result of a lack of opportunity which is believed, rightly or wrongly, to arise from the strong position which foreign interests occupy in the main plantation industries in the island. There is a widespread belief that Sir John's Government was very apt to come to easy terms with foreign plantation interests. In point of fact, Sir John has often incurred the displeasure of the same planting interests for his regulation of plantations and his frank warning that his government would need to tax its plantations more severely than in the past in order to obtain finance for development. He is justified in claiming credit in his parting statement for the addition to the revenues for which this policy has been responsible. He said: "We are leaving to the new Government Rs. 197 million in cash as against Rs. 36 million when I took office. We have also reduced our short-term liabilities from Rs. 184 million to Rs. 60 million with regard to Treasury Bills." It would be interesting to determine what percentage of this has been contributed by plantations in foreign ownership. Almost certainly the proportion is large.

If, however, it is a fact that the policy of the United National Party was so obviously in the interest of Ceylon nationals, very little was heard in the election of the extent to which this was so. The propaganda front of the United National Party on this point was extremely weak from the beginning. Against the Socialist case that, somehow or other, nationalisation would put things right, there was no argument of a concrete kind to show that, without nationalisation, remarkable stability had been built into Ceylon's economic system after her payments crisis a few years ago. Considering the emotions which must be expected to preside at first elections, the omission to demonstrate that non-socialist measures had done much for Ceylon's economy was a serious error the full consequences of which cannot now be predicted.

This highlights the major question which has now to be answered. Assuming Mr. Bandaranaike proceeds on his domestic policy of nationalisation of plantations with fair compensation, there is certain to arise a serious payments crisis because of the repatriation of much sterling, which would necessarily be involved. At the same time there would almost certainly be a decline in production because a large number of the British plantation managers will be averse to staying on as employees of the Government of Ceylon. In effect at the very time when her earnings of foreign exchange will need to be enhanced, Ceylon may experience a great slump in earnings. It is one thing to win an election on a programme of nationalisation. It is quite another to find the resources wherewith to nationalise. It is safe to say that Mr. Bandaranaike in this respect has set himself an impossible problem.

In his difficult task Mr. Bandaranaike, as a matter of course, will enjoy the goodwill of the Indian people and the Indian Government. He should enjoy also the warm goodwill of democrats everywhere, for there has been seen in operation in Ceylon the working of a true democratic system in a form of which there have been no equally vital displays in South-East Asia. Ceylon seems to be the only country in South-East Asia where a two-party system is in operation. The example of East Bengal in Pakistan was heartening, but there is a difference between a Central and a State election. It is difficult to believe that an Opposition Party in any of the Central Assemblies has at this moment a real chance of becoming a Government. Ceylon leads South-East Asia, in that she has shown that she had an opposition which could readily become a government.

The people of India will on this occasion send their warm greetings to the people of Ceylon. Whatever the result, we will always respect the choice that the people of Ceylon make for themselves. But there can be no reasonable doubt that the fact that this election promises better relations between India and Ceylon makes the result more acceptable at this time. It is earnestly to be hoped that a meeting of the Prime Ministers of India and Ceylon will soon be arranged in order to give concrete form and shape to the goodwill which Mr. Bandaranaike's success has just brought forth. In that concrete form and shape, let us hope, there will be opportunities in which India and Ceylon together may advance the cause of freedom and security in our portion of the world.

A Credit Squeeze?

HAS the time now come to initiate an anti-inflationary policy? This question has been asked in the last few days with a sense of urgency which has been sharpened by the circular issued by the Reserve Bank of India to the Scheduled Banks asking them to report fortnightly instead of monthly on the nature of the advances granted by them. There have been other disquieting signs. The index of wholesale prices has steadily risen till it is today 12 per cent more than its level at this time last year. Total money supply at the end of March had increased by Rs. 150 crores over the figure for March 1955 indicating, along with the increase in the total outstandings of Treasury Bills of Rs. 100 crores, that the tempo of deficit financing has been quite substantial in the final year of the Plan, though well below the original target in the Budget of over Rs. 300 crores. There has been extreme tightness in the money market, particularly after the British rate was put up, and some speculative activity. In the agricultural sector in particular, where there was a demand for price supports because of a feeling of uncertainty over prices until the middle of the last year, there is now satisfaction; and it is conceded the relationship between farm prices and manufactured goods today is not unsatisfactory. Considering that it was the lower level of agricultural prices which provided encouragement in undertaking a bold policy of deficit financing, this new turn cannot but be regarded as a warning to slow down.

There may therefore be little room for complacency at this juncture even if it is held that it would be unwise to create a scare. The total volume of deficit financing under the first Plan has been modest and is unlikely to exceed Rs. 400 crores. At least one half of that until the fourth year of the Plan seemed harmless and even necessary for the good of the economy. Neutralising this inflationary element there have been the steadily rising trend in industrial production and a high and stable level of agricultural production; and the outlook in both respects is hopeful.

Perhaps the proximate cause of alarm has been the tendency to draw parallels between situations abroad and Indian conditions. The British credit "squeeze" and the increase in the Bank Rate have had a powerful psychological effect on the Indian markets, but it has largely ignored the major differences between the two situations.

It is irrelevant at this stage in India to contemplate curbs on investment of the kind proposed in the UK which enjoys 'brimful' employment; our task is one of substantially stepping up the rate of investment under the second Five-Year Plan. India is not faced with a payments problem caused by trade deficits as in the UK which can be avoided by checking spending on consumption or investment. The problem before us is to do our utmost to import more of steel, machinery and even consumer goods like food. Nor is there a situation comparable to the UK in which wage costs have been responsible for pricing exports out of the world markets. The situation is thus totally different; and the effectiveness of the Indian Bank Rate as an automatic regulator of credit is questionable.

At the same time, it must be the firm basis of our policy that there would be no free rein to inflation, particularly at the start of an ambitious

Plan which contains a substantial inflationary element of deficit financing. Credit control may be one and the first of the steps to be taken now, particularly because of the evidence that speculative activity has been on the increase. But it is not so much increase in the rate as selective credit control that would be appropriate; the increasing resort to the purchase of usance bills provides scope for closer screening of transactions. It is, however, necessary that the limits of such control should be clearly recognised because of the danger of placing excessive curbs on market operations. The experiment made in 1951 clearly erred on the side of excess and led to the recession of March 1952; and the recurrence of a similar development would be more unfavourable to the Plan than the incipient inflation. The Finance Minister has been fully aware of this danger and is unlikely to repeat the error. It must also be remembered that the earlier strict credit policy led to permanent results only because it synchronised with the liberal policy of imports of food and cotton and was reinforced by a steadily rising agricultural and industrial production since 1952. Recent trends in food prices have emphasised the absolute necessity for building and maintaining buffer stocks of two million tons as stated by the Food Minister. There should be no hesitation about making imports on this scale; this is the best specific for the malady of the speculative building up of stocks, whether on farms or by traders. An indication has been given that even cotton might be imported if necessary. The improvement in internal production of sugar this year would help in releasing some foreign exchange for the purpose. In any case exchange should not be held to be a limiting factor, even though it is required for more essential imports of steel and machinery.

There are real reasons for anxiety only about cloth. The ceiling imposed on mill production is already showing its effects; if cloth exports are affected as an immediate result of a shortage a setback to our foreign trade would occur. The question is not whether the Ambar Charkha would or would not prove a feasible proposition eventually; if it does help to augment internal production, it can have the double advantage of providing the goods and satisfying its powerful champions. The problem now is to control present price trends and save the Plan, until the Charkha becomes a feasible proposition. The question is connected less with the grant of licences to spindles and more with the fuller utilisation of existing capacity to meet the demands of economy. The existing control on the textile industry does not ensure expansion of output because it is a restrictive control. Whether it should be used constructively or negatively as before to enforce rationing and choke the channels of distribution, is the issue to be now decided.

The conclusion is that the prescription in this situation is more or less the same as before—larger imports to act as props to a firm credit policy, along with the removal of hindrances to a larger production of consumer goods which had a beneficial effect after 1952. The area in which a return to direct controls of various kinds may be appropriate—as in cement—is also a well-defined one; it is only necessary to avoid the danger of extending it indiscriminately to those sectors in which a return to physical controls would revive the rigidities which hinder development.

Mineral Policy

THE debate on mineral policy in the Lok Sabha this week has not been a fruitful one. There have been far more important issues relating to mineral development under the second Five-Year Plan than the taking over of the working of the Panna diamond mines or of copper mining which Mr. K. D. Malaviya triumphantly announced at the end of the debate. An opportunity for making a declaration of Government's policy on the larger questions, in more precise terms than has hitherto been possible, has been avoided. The Ministry of Natural Resources has now been left free to practise its own devices of muddling through in a field in which considerable emphasis has been laid in the second Plan on development along sound lines. The Panna diamond mine with an output worth only about Rs. 6 lakhs at present, and copper mining of 7,000 tons a year are not indeed among the first order of priorities, whatever their potential future value may be. The programme of oil exploration, the Central Government's policy on gold mining in the private sector and mining of coal, lignite and ores have all raised more vital policy issues on which the public and the particular interests concerned have sought answers; the occasion for a Demand for Grant has failed to serve its object of clarifying Government policy.

Mr. K. D. Malaviya has refused on this occasion to commit his Ministry to the specific point that the Government would insist on securing majority participation in the new rupee company to be started in collaboration with the Assam Oil Company. There have presumably been some second thoughts on this question, after the somewhat categorical assertion of Maulana Azad on March 19 last that the Government would not accept anything less than 51 per cent of the shareholding in the new company. Under the existing agreement, Government participation is restricted to only one-third and the choice before the company now is really whether it is in its best interests to maintain the status quo for the prospecting covered by the existing agreement, or to expand its activities further but at the risk of losing its control in the process. It is unlikely that any private company would deliberately prefer a loss of its controlling interest after providing as much as 49 per cent of the shareholding. In such a case, the risks of investment will be nearly as great to the company as to the Government without a voice in management to safeguard the investment. The proper alternative in such circumstances would be to allow private participation only to the very limited extent needed to secure agreement from the company for its working as agents of the Government; this would involve responsibility for the provision of capital only to the extent of one-fourth or one-fifth of the capital by the company.

These implications should be clearly realised in formulating Government's policy. If the Government is prepared in the last resort to make the investment wholly in the public sector, securing only private technical assistance on a contractual basis, it may be well within its rights to speak in the categorical terms in which Maulana Azad had declared Government's policy earlier. The question which then follows is whether the Government would then be able to find funds for undertaking an ambitious programme of oil ex-

ploration in other areas also, besides expenditure on such a large enterprise. Moreover, this is not an issue on which a short-term view can be taken on mere grounds of prestige or ideas about the inevitability of the dominance of the public sector. If the present exploration programme is to be fruitful, it must be followed by the establishment of mining companies in all the areas in which oil is found hereafter. If the present policy is to be the precedent, then the Government will have to find the bulk of the investment in all these areas in future also, while collaborating with private enterprise to secure technical assistance.

Almost similar considerations apply to the policy on gold mining. Mr. Malaviya was explicit on the point that the Government did not attach as much importance to this as to coal, ores or oil and was, therefore, prepared to let anyone mine gold wherever possible and to co-operate with the private sector. This statement is of some importance at this stage in view of the Mysore Government's declared policy of nationalisation of the gold companies, which is likely to come up for discussion shortly. The question here is whether the Central Government's insistence on the primacy of the public sector, particularly in the field of mineral development, is going to disarm it so completely as to yield to the pressure of the State Governments for nationalisation, without sufficient proof of national interests being directly advanced thereby. Legally, State Governments may be within their rights in dealing with mineral wealth except where the Centre has directly shown its special interest. It has, however, been clear that the Mysore Government would be unable to rely on its own resources to do so and would have to rely on Central assistance to pay compensation and work the mines. This is an entirely gratuitous addition to the claims on the Centre under the second Five-Year Plan, which will not add to the rate of development because resources will only be utilised to substitute the ownership, besides possibly adding the strain of repatriation of capital to the extent it is owned abroad. This question has been before the public for a sufficiently long time to have enabled the Government to come to a definite conclusion. If gold mining is a field in which the private sector will be allowed to work, as the Minister has now stated, there is obviously no sense in helping nationalisation based on local pique than on large policy considerations.

The Natural Resources Ministry has not indeed been functioning with clear-cut ideas. The powers taken under the existing law to limit or modify existing concessions have not yet been defined and the rules now proposed to be issued will still exclude coal and petroleum. Meanwhile, there is a proposal for the substitution of the Mines and Minerals Development Act of 1948 by two separate Acts—respectively for Mines and Minerals and Oilfields and Mineral Oil Resources—which may create further uncertainty for existing lease holders. The essential point to bear in mind is that in the field of mineral development investment cannot be promoted except on the basis of stability of contractual agreements regarding concessions. Constant changes which destroy the value of the guarantees implied in the grant of rights of exploitation over a period should only tend to retard the pace of advance.

THE WEEK'S NOTES

FOOD POLICY

MR. AJIT PRASAD JAIN'S announcement in the Lok Sabha this week that the Government of India proposed to build up buffer stocks of food grains totalling two million tons is to be welcomed as a measure which will help immediately in curbing the tendency for food grain prices to rise. As an anti-inflationary measure, however, this policy may fail unless it is implemented early. Provision has been made in the Plan for the import of 4 million tons in the next five years. It is to be supposed that the rate of accumulation of the buffer stock over the next five years would vary with the state of production though Mr. Jain failed to throw any light on this point. The amount of deficit financing envisaged in the current year, together with the failure of earlier predictions of bumper food crops followed by decline in prices, underlines the need for the Government to have sufficient reserve stocks on hand to counter any uptrend in the second half of this year. Subsequent years of the second Five-Year Plan may not prove to be so difficult as some more major and minor irrigation schemes are likely to start yielding benefits.

In saying that the Government planned to build up stocks through purchases from abroad, Mr. Jain was clearly emphasising the obvious. There are limits to procurement from within the country for this purpose and situations requiring large-scale price supports are unlikely to occur in the normal course. But in making purchases in foreign countries the Government is faced with certain difficulties which cannot be minimised. The tendency of exporting countries, particularly those exporting wheat, to control the market even after a minimum and a maximum price are agreed to, works undue hardship on importers, though their bargaining power has now increased. But since exporting countries cannot go on extending price support to their domestic farmers endlessly if importing nations decide to withhold or curtail their purchases to the bare minimum, it is to be hoped—though Mr. Jain is rather pessimistic—that some reasonable International Wheat Agreement will emerge, which will solve India's problem as regards import of wheat. The proposed talks with Burma for purchasing rice may be held as part of the procedure for repayment of the loan; even here Burma's deal with the Communist countries has strengthened her position and it is doubtful whether the landed cost would be below the internal rice prices here.

MYSORE'S LEAD

FROM MYSORE has come a lead on the formation of bigger bilingual States, which should cause much re-searching of hearts among her neighbours and other States and may well once again set in motion the idea of larger units first propounded by the Chief Ministers of West Bengal and Bihar. When the proposal was originally mooted, the reaction in Mysore was lukewarm, particularly as there was a feeling that any bilingual State in which Mysore may join will mean merger with less prosperous and less economically endowed areas. But these short-sighted selfish considerations have now given place to the larger national interests, and the Mysore Assembly and Council have adopted a courageous resolution sponsored by the Chief Minister of that State favouring the idea. It was heartening to note that the resolution received almost unanimous support in the two Houses.

The Mysore Legislature's lead will, however, be wasted if it is not followed up by equally courageous leadership from her neighbouring States. The Madras Chief Minister's refusal to give a lead on the subject,

in spite of the eloquent pleas of two former Chief Ministers and many other leaders of thought in the Upper House of that State, does not encourage one to expect the emergence of any bilingual State in the South with the Tamil areas in it. However, the formation of a West Coast State with Kannada and Malayalam-speaking areas need not be ruled out. The bringing into being of such a State will at least temporarily solve the problem of an unstable Government in Kerala to which, as Mr. Rajagopalachari pointed out, that State seems to be condemned for the foreseeable future. It is true that for that very reason the idea will be opposed tooth and nail by those who hope to fish in troubled waters. Their opposition is understandable, but that should provide the most urgent and powerful argument for a bigger State. In cold-shouldering the bilingual idea, Southern Congressmen, that is, those of them who are either openly or implicitly opposed to it, are in fact unintentionally helping the disruptionist elements who want to secure a permanent stranglehold either in the seats of power or in political confusion.

AUTHORS' RIGHTS

THE COPYRIGHT BILL, which has been referred to a Joint Select Committee of Parliament, contemplates certain important changes in the existing Copyright Act of 1914. A Copyright Office, to be set up under the control of a Registrar, will maintain a register of copyrights. Registration is optional, but the Bill lays down that no proceedings under the new law regarding infringement can be instituted unless the copyright is registered in the Copyright Office. In this, the present Bill follows the example of Australia, avoiding the extremes of having no formalities as in Britain or having rigid formalities as in the United States. Authors and other artists and inventors will receive greater protection from the wiles of unscrupulous publishers since a Copyright Board is to be established entrusted with the tasks of determining the reasonableness of the rates of fees, charges and royalties, considering applications for general licences for performance of works and assessing compensation payable under the Bill in certain circumstances.

Another important change made in the Bill is with regard to the period of duration of the copyright. Until now this extended to the life of the author and for 50 years thereafter, which has now been reduced to 25 years after the death of the author. This is a compromise between the rights of the author or his dependents to the fruits of his labour and the right of society to free and easy access to new ideas and new works without having, for an unduly long time, to pay a monopolist's price for them. Moreover, often copyrights are purchased by publishers who paradoxically continue to enjoy them long after the authors are dead and gone. The Bill, however, provides for repurchase by the author of a copyright seven years after the original sale but within ten years.

The Bill seeks to protect society's interests in other ways too, by providing for compulsory licensing in work withheld from the public, for republication, performance in public or communication through radio diffusion, for issuing licences to public libraries for producing a copy of a book in which copyright subsists, but which is not available for sale. The sole right to translation is made co-extensive with other rights arising from copyright, an improvement from the author's viewpoint over the present law, under which this right lapses after ten years of the publication of the original work, unless a translation is produced in the meanwhile.

THE NORTH-EAST FRONTIER

THE ASSAM Government's decision to seek the help of the Army in dealing with the Naga problem in the Naga Hills district of that State has highlighted once again a problem on the country's vital north-east frontier which calls for delicate and at the same time firm handling. The Naga tribesmen are concentrated mostly in the Tuensang Division of the North-East Frontier Agency, which is Centrally administered, and in the Naga Hills district of Assam. In the Agency areas the problem has been tackled more or less successfully by a more liberal approach to the people and greater readiness to meet local demands; the Political Officer in Tuensang is a Naga who is helped by a large number of Naga people in running the administration. Discontented Naga elements led by Phizo have had consequently to abandon the NEFA area as unfertile ground for their dissident activities, but they were able to exploit the grievances of the Nagas under the Assam Government's jurisdiction, whose policy towards the tribals was not quite as sympathetic and understanding as one might have wished it to be.

It is likely that, with the establishment of military headquarters in Kohima, the activities of the hostile armed Naga bands will soon be brought to an end. Commonsense also demands that law and order should be speedily restored. But that will not bring about a permanent solution to the problem. Urgent improvement of the economic conditions of the Nagas is a prime need as also some measures to satisfy their political demands by the provision of better social services, which will also help the Nagas in realising the meaningfulness of their demand for a separate State. These can perhaps be best undertaken by unifying all tribal areas under one Central administration which will ensure not only greater co-ordination in the drive against armed Nagas, but also that the same enlightened policy of giving them greater voice in the administration is followed. The safety and security of India's vital frontier requires that something more far-reaching than and something different from a mere soldier's campaign is undertaken.

SPAIN'S GESTURE TO MOROCCO

WITH THE signing of a joint Spanish-Moroccan declaration ending Spain's protectorate over Spanish Morocco in North Africa, a unified independent Moroccan State has been born. When the Socialist Government of France signed an agreement a few weeks ago with Sultan Sidi Ben Youssef, recognising in effect the sovereignty of the French zone of Morocco, it was obvious that the Moroccan people's aspirations would not be fully realised until Spain also agreed to the liberation of her zone. Prospects for this development appeared bright since General Franco had already declared himself in favour of Moroccan independence, though that was before France's graceful acquiescence in the face of historical necessity. The dictator of Spain was also anxious to have his say in the final set-up in regard to Morocco's external relations and to ensure for Spain the same status in Morocco which France would enjoy. He has taken the easiest way to securing these objectives by agreeing to hand over the Spanish zone for unification with the French zone, since in any case the economic advantages which Spain derived from her North African protectorate were very negligible; nor did she have the problem of settlers which besets France in Algeria.

It is as yet too early to say how the French will like this move, particularly as it is an obvious attempt to get for Spanish nationals the same rights as will be accorded to French nationals and to the Spanish Government equal rights with the French in helping Morocco in the conduct of her foreign relations and in the building up of her army. In any event, Franco's gesture is to be welcomed and other colonial powers

with similar untenable footholds, it is to be hoped, will not be chary of imitating his move. With this the unification of all Moroccan areas has been completed with the exception of the international Zone of Tangier, whose transfer to the sultanate is bound to come about in course of time.

BRITAIN'S BALANCE OF PAYMENTS

BRITAIN'S PAYMENTS position seems to have taken a turn for the worse. The Balance of Payments White Paper published recently shows that Britain had a deficit on current account of £103 million last year compared to a surplus of £205 million in 1954. The 1955 deficit was made up of a deficit of £313 million with non-sterling countries and a surplus of £215 million with the overseas sterling area, which itself secured a surplus of £137 million against £164 million in 1954. The UK's gold and dollar reserves fell by £229 million during the year, but the sterling balances decreased by £165 million, so that there was a net drawing on assets of £63 million. American aid receipts fell from £139 million in 1954 to £125 million in 1955. Offshore orders from the U.S., however, rose by £15 million to £120 million.

The White Paper discloses that the total turnover in Britain's foreign trade was something like £10,000 million. Considered in relation to the total turnover, last year's deficit is not alarming, particularly as some part at least of the change in the position was due to a fortuitous combination of a number of factors. The present worsening has been considered as not really representing a permanent weakening of the U.K.'s position, but as a sudden expansion of payments which expanding receipts can be expected to overtake in course of time. One element was lower net oil receipts due to a sharp rise in oil companies' expenditure overseas following the resumption of operations in Iran. Payment of interest, profits and dividends were also higher, partly because of increased interest payments on sterling balances. There was also some increase in travel expenditure and in transfers to emigrants following the relaxation of restrictions. Between 1954 and 1955 the balance of visible trade worsened by £160 million and invisible earnings by £148 million. Net earnings from shipping were £30 million less.

The White Paper shows that the U.K.'s annual net investment abroad since 1952 has averaged £160 million a year, most of it in the sterling area; it was £125 million in 1955. Military expenditure abroad has averaged £150 million a year and reached £160 million in 1955.

MOBILE "KNOW-HOW"

THE Union Ministry of Commerce and Industry has followed up the setting up of four Regional Small Industries Service Institutes at Delhi, Calcutta, Madras and Bombay, with four branch units at Agra, Patna, Hyderabad and Trivandrum, by starting an extension service for small industrial units and artisans in towns and villages in the form of mobile demonstration vans attached to the Institutes. At present two workshops, one for carpentry and another for blacksmithy, are attached to each Institute, and 16 more for the whole country are planned. The workshops demonstrate to artisans and workers in their villages and towns the use of modern machines as well as improved methods of production. The advantages of working with these machines and the Government's scheme to supply them on easy hire-purchase terms are explained in the course of discussions. It is reported that the response to the mobile workshops has been very encouraging, and it is not surprising that it should be so. What is important is that the demonstrations and discussions should be followed by more continued interest on the part of the officers attached to the Institutes in securing for artisans the implements they want and in seeing that they learn to operate them properly. There should also be demonstration vans for many more small industries which have a big future in the country.

PLX 68

don't

chase

shadows...

PLANNED LIGHTING BY PHILIPS

Philips are fully prepared to provide you, without any obligation on your part, advice for a planned lighting system. Call them in and discuss it.

Philips Electrical Co. (India)
Private Ltd.



PHILIPS

make light work for you

Calcutta-Bombay-Delhi-Madras-Patna-Kanpur-Lucknow-Bangalore

An attempt to combine economy with efficiency is often like chasing shadows. Planned Lighting, however, is a sure road to success. Planned Lighting means greater output, fewer accidents, less absenteeism. It's Fluorescent Lighting—by Philips—which will help you reduce overheads by giving you three times as much light for the same amount of electricity consumed.

Philips Fluorescent Lighting ensures diffused, glare-free light, without hard shadows. It is the illumination for ideal working conditions, less fatigue, less eye-strain, hence higher efficiency and increased production. Why not try it out yourself? Ask Philips Lighting Service Bureau to examine your existing installations and submit recommendations for any improvements required.

FLY TO
Tokyo

a flight every Thursday, every Sunday

BUSINESS in Japan: Fly there and settle it on the spot. Our twice-weekly service enables you to get there and back — all in seven days!

It's Constellation luxury, now with Slumberette...courteous hostesses to look after you. Stop over in Bangkok and Hong Kong if you wish — at no extra cost.

- Flights on Thursdays and Sundays
- Constellation comfort
- Choice of Tourist or Luxury Class

AIR-INDIA ★ International

6-A Connaught Place, New Delhi
Tel: 40503

A Window on the World

THE DOG IN THE BARNYARD

By
ODYSSEUS

STANDING PAT AND STAYING PUT

WHY ARE THE USSR AND THE USA DYNAMIC, forward-looking, economically progressive societies? Are Britain and France static? What promotes change and growth? What makes for decay? Does India belong to the dynamic or to the static economies? If to the dynamic, what is necessary to keep her forging ahead? What could occur to arrest her growth and let her slide into the ranks of the static or the decaying? These are the cosmic questions on which we launched ourselves last week under the heading "Inquest on Incentives".

Most of us take the map of the world that we studied at school to be a more or less fixed arrangement of nations, subject to relatively minor alterations here and there, but if we look at the panorama of history across the centuries, we see at once that the map is never fixed and that change is ceaselessly at work. Contemporary with Akbar's sprawling Moghul empire was a small, obscure, thinly populated island off the Atlantic coast of Europe, of which scarce half a dozen people in India could have heard in those days. Yet with every year that passed after Akbar's death in 1605, India and the world were to hear more and more of the English. By 1905, England was the world's wealthiest nation. Why? Why should not the successors of Akbar have made Delhi the world's banking centre, the rupee the currency of international trade, and Bombay and Calcutta its most important bases?

The answer is not necessarily that England became wealthy because her economy was that of a free enterprise, capitalist state, because the contemporary example of the USSR makes it clear that a nation can substantially add to its material power and wealth by professing socialism and by leaving its economy to be organised by a ruthless and tyrannical oligarchy.

In endeavouring to answer these questions, I am happy to acknowledge my debt to a remarkable article entitled "The Dynamic Society" published in "The Times" (of London) Literary Supplement dated February 24. Although unsigned, it is an ill-guarded secret that this article, which has attracted widespread attention in influential British circles, both Labour and Tory, was written by (my old friend and sometime colleague) Graham Hutton, the economist.

In classifying the USSR, China, India, Brazil, Japan, Western Germany, and Belgium, among the dynamic societies, Mr. Hutton argues that their forward economic march does not depend on their political and administrative systems, which show the widest differences. In contrast with these dynamic societies, he classifies Britain and France as static. France, he says, still releases most of the new ideas in the arts and the intellect that influence all countries on whatever side of the Iron Curtain. Britain, he thinks, is "down" in the political initiative and ideas that she put forth some decades ago, still leads in original research in most of the practical arts and sciences, but fails to apply these results and lags behind those who exploit her discoveries. And when you consider what the USA has done with British radar and the British split atom, to cite but two examples out of many, it is difficult to refute Mr. Hutton's case.

There will be many in India to agree that the British and French attitudes towards material progress are not necessarily to be condemned when measured in the scale of absolute values, for the British and French masses may be right in not wanting, or in not willing, the means of rapid material development. Their attitudes may be illustrative, as the French economist, Andre Sigfried, has often argued, of some moral superiority. They may prefer longer hours and more human work to the social and political consequences of the new Machine Age. Or they may just be more tired or lazier. Whatever their motives, it remains a fact that they show, in contrast with the dynamic states, an obsession with their own past at the moment when the greatest number of the world ever to be so obsessed, those of Asia, are struggling to free themselves of it. It is not the policies of Socialist Russia that are conditioned by the goal of social Equality but of bourgeois Britain and France. In their deeds, Britain and France reveal their belief in the virtue of a more or less static national income to be merely re-distributed. In their deeds, they reveal their disbelief in the virtue of a rapidly growing national income to be distributed in whatever is found to be the best way to make it keep on growing. Their peoples seem to be intent on conserving past gains and the vested interests of Labour and Capital alike.

Elsewhere, the Americas, Asia, Africa, Holland, Belgium, West Germany, and Italy are throbbing, struggling, surging in a big ferment. Alone in Europe, Britain, France, Spain and the Scandinavian countries stand pat and stay put.

Of the two factors which (I hope to demonstrate) caused the England of Elizabeth I to become the world's wealthiest nation by 1905 and the India of Akbar to remain among the poorest, one is possession of the will, the know-how, and the means to accumulate capital. By not consuming in the present all that they produced, the Elizabethans enabled their children to consume more for the same or less effort, and so on to greater wealth as the virtuous circle of saving and of creating greater subsequent consumption broadened from generation to generation—until British savings circled the globe with British ships, cables, banks, and other wealth-creating embodiments of conserved skill and effort, unconsumed yesterday for greater yields today. It was the lack of the combination of know-how with the will and the means to abstain from current consumption in order to command greater consumption and leisure later on that kept the successors of Akbar poor.

When you compare the capital needed to launch a primitive instrument like a 20-ton dhow, costing a few hundred rupees, with a modern instrument like a 20,000-ton cargo vessel, costing perhaps a crore and a half of rupees, or the capital needed to build a primitive bucket-irrigation well, with that needed to build a modern Damodar Valley dam, and when you compare the astronomical difference in the yields obtained by the primitive and the modern, you realise how it

is that never before in all history has the potential yield of savings invested in modern techniques been so high, and that never before has the need for accumulating savings been so important—to any nation that wishes to be counted among the dynamic.

TAXATION: THE REWARD OF HARD WORK

If the "dynamic", as Mr. Hutton terms the know-how, will and ability to save and create capital, of the masses is insufficient to be acceptable to those in command of any nation, then they have to be directed. Hence the Five-Year Plans of the authoritarian systems of the contemporary world. If the masses do have the "dynamic", then the economy can be left to run itself and the government's role largely confined to ensuring fair economic play, as in the USA or West Germany. But if the masses' "dynamic" is for any reason impeded, and if its leaders are unclear about their ultimate aims, as in Britain and France, then you get the mixed economy, which is neither fish, flesh, nor good herring.

Between the authoritarian dynamic USSR and the free dynamic USA stand the mixed French and British systems. Now, the leading characteristic of these mixed economies is their preoccupation with Equality as a social goal (long ago denounced by Stalin as a bourgeois deviation) that re-distributes the national income in such a way that fruitful individual effort or responsibility or skill (handsomely rewarded in the USSR and USA) is less and less rewarded. In Britain, Mr. Hutton calculates, moderate responsibilities and skills are fiscally punished by the loss of one year's earnings in seven, while outstandingly productive talents are punished by the loss of one year's earnings out of

four. In lower income brackets, union practices impose penalties against individual skill and productivity. Consequently the rapid rise in the purchasing power of the masses—who put forth less effort than before the war yet refuse to let labour-saving tools do more work—coupled with subsidies to them out of the earnings of others, produce chronic inflation.

This inflation reduces personal savings. Private accumulation of capital does not languish: it ceases, because in order to avoid inflation what could be saved is spent. On the other hand, accumulation of capital by the state is mostly made up of consumer's durable goods because the mixed Welfare state retains representative government and keeps the voters quiet by massive "investment" in new, subsidised houses, schools, apparatus, and buildings (particularly government or municipal offices) required for the re-distribution of welfare. Such a mixed economy Welfare state becomes (says Mr. Hutton in a phrase which has echoed round all England today) like a dog in a barnyard: it cannot lay eggs and will not let the hens do so.

We have exhausted our allotted space. But before closing down, I leave you this thought: Mr. Hutton classifies India among the dynamic states and, as I said last week, there is no doubt that the achievement of independence did let loose substantial economic impetus. But one cannot help wondering to what extent the weaknesses of the British mixed Welfare state outlined above may now increasingly manifest themselves here. Whether the answer is the big stick and forced savings of the USSR type of dynamic economy, or whether we can find a way of combining dynamism with the retention of our individual liberties, I reserve for future discussions.

A DELHI DIARY

THE LAW OF MATHEMATICAL ABSENCE

A GENEROUS friend of mine has been good enough to write to say that he has missed me recently in this diary quite frequently; he has asked, a little tearfully, whether I am returning or whether this is a prelude to retirement. I hasten to inform my all-too-generous friend that my absences in recent weeks are happily not a prelude to retirement. As far as I remember the causes of these absences are varied, but singly and together, they are not likely to be repeated, at least in the near future. Firstly, there was the Budget Number of 'The Eastern Economist' where, by an iron rule, no columnist is allowed to appear lest he should dissipate by his attempts at frivolity the deep passion for grim information which these special numbers are designed to inculcate. Secondly, there was a spell of leave for a period of ten days which (alas!) cannot recur more than a certain number of times in the year, the new Press law for working journalists notwithstanding. Finally, I might refer to what is called an accident of timing by which a diary designed accurately for 6 o'clock one evening—as sometimes happens in the best planned circles—missed the target. I am told by a distinguished mathematical friend that the chance of three such contingencies occurring in a single row is one in a million. May I, therefore, reassure my generous friend, and take comfort in the law of mathematical chance which, by a process of logical deduction, now prevents me from absenting myself for three consecutive weeks by about a million to one. I take no responsibility for odds laid on this version of the law of mathematical probability; in recent years I am told this has been undergoing some change. Even Planck's constant is not what it once was!

LEONTYNE PRICE

Since a time-lag has appeared in these diaries, it would not be inappropriate for me to go back a week to describe an event which certainly should have found a place last week, had natural law (and human weakness) not intervened to displace it. This was the recital that Miss Leontyne Price, the great American Negro singer, gave Saturday before last at the new Fine Arts theatre, which is rapidly becoming the centre of cultural activity in New Delhi. Miss Leontyne Price is a world-famous singer. One of her greatest virtues is that she is completely oblivious of this momentous fact. She has not merely one of the most wonderful voices in the world with a range (I had almost said a spectrum because of its different colours) which is truly amazing. She has French, German, English and, of course, the Negro spiritual, all combined with equal ease in her repertoire. I might add—a thing which cannot fail to attract and encourage us in India—she has risen by her own efforts in a truly free society, although she was a Negro in the midst of the "Solid South". Miss Price tells her story quite simply. But I like to think that she is at this time exhibiting in her person the strongest argument that has ever existed for freedom and equality of opportunity in a free society.

RIGHT HONOURABLES BOTH

I shall pass gently from music to another of the arts; at the time of writing there are two Right Honourables in Delhi; both full of interest for us. The amity with which the Rt. Hon'ble Herbert Morrison is travelling with a Conservative Member of Parliament, the Rt. Hon'ble Geoffrey Lloyd, former Minister for Fuel

and Power is, to my mind, a symbol of the coming alliance between Conservative-Radicals and Radical-Conservatives—one of the most fruitful alliances in the political life of the United Kingdom. My hope of an alliance between India's Left-Centre and India's Right-Centre—which seems to me the natural faith of the Congress Party—has been much encouraged by a study of the similarity between progressive Conservatives and moderate Socialists in the United Kingdom. This is taking me rather far from the two personalities but it is too interesting a subject for me not to say a word about one of the most interesting developments in British politics. As Conservative Minister of Fuel and Power, Mr. Geoffrey Lloyd did almost nothing to change the character of "Labour" legislation in the "power" field.

CENTRE FORWARD

It is not merely the traditional British genius for compromise which explains the coming together of Centre elements in British politics. I venture to think that the facts of economic life are now beginning to show that a Centre view in the old debate between the private and the public sectors is the only one which can endure. The experience of nationalisation has shown that many of its so-called advantages have been exaggerated. On the other hand, the very size of administration now requires much more Central direction. Surely, the truth is that we are now in a stage when events are setting limits to our ideologies. I look upon the visit of Mr. Herbert Morrison and Mr. Geoffrey Lloyd in terms of this new discovery of the extent to which facts in the field are proving that both ideologies are good—within limits. In the process of this testing, I prophesy that, in India as well as in Britain, the path of moderation will also be the path to power!

Unhappily, Mr. Morrison was not talking much either at his address in the Indian Council of World Affairs or at his Press Conference on Thursday about Britain's "socialistic" pattern of society. Most of the questions at the Press Conference were about military pacts which were highlighted by Mr. Morrison's defence of the Free World's action in meeting what he called the "un-co-operative" attitude of the Soviet Union. I think most people have been taken aback by the somewhat firm anti-Communist line that Mr. Morrison has taken while in India. I think he is to be respected greatly for not trimming any sails to the prevailing wind!

TROTSKY: DEAD OR ALIVE?

I thought Mr. Morrison was particularly effective when referring to the misfortunes of Trotsky, whom he described as "a genuine Red" and a "genuine revolutionary" for whom he had a "sneaking regard". He described how when he was in the Soviet Union in 1930 it was always denied that Trotsky had anything to do with the Russian revolution. However, one sees that just as Stalin is being eclipsed, Trotsky is having a rebirth in an Asian country. I see that in the results of the Ceylon elections announced in the papers of April 12 there is a party called the Trotskyite Nava Lanka Sama Samaj whose leader, Dr. N. M. Perera, defeated his "ruling party" rival by a margin of over 6,000 votes. Will some good student of Communist "cult of personality" tell me exactly what this means?

ANGUS.

THE RAMAYANA

OF TULSIDAS IN ENGLISH VERSE

LATEST "HINDUSTAN TIMES" PUBLICATION

The famous Hindi epic regarded by many as "the greatest book in all devotional literature" is for the first time now available in English verse.

The translator, the Rev. A. G. Atkins, completed the book after ten years of devoted work. He has tried "to keep and express in English in the fine rhythm and music of the original in simple lucid language, and with as much of the vivacity, wittiness and picturesqueness that Tulsidas has put into his work." He has also followed in some measure Tulsidas's metrical variations such as *chhand*, *chaupai*, *doha* and *soratha*.

In a foreword Mr C. Rajagopalachari says: "Mr Atkins' monumental work and his Introduction are a revelation of hope for those who desire to see all the great religions of mankind come together. . . . His service is not only to English-speaking people but also to that very large number of Hindus in India who do not speak the Hindi language and to whom English has become a very familiar medium."

The book is of special value to libraries, scholars and devotees of Tulsidas.

It has been issued in the following four editions:

- I. Original text of Tulsidas with translation in English verse; three volumes; 1468 pages; price Rs. 50 net.
- II. Translation in English verse; without Hindi text. two volume; 898 pages; price Rs. 40 net.
- III. Special tissue paper edition of I. one volume, price Rs. 100 net.
- IV. Special tissue paper edition of II. one volume, price Rs. 100 net.

POSTAGE EXTRA

The Manager,

THE HINDUSTAN TIMES,
NEW DELHI.

Economic Report from the U.S.

HOUSING BOOM IN AMERICA

(BY GUY SIMS FITCH)

WASHINGTON, April 10.—For a supposed invalid, the American Housing Industry appears to be in extraordinary healthy condition; so healthy, in fact, that with the construction season barely beginning, more than a few experts are hastily revising their earlier forecasts for 1956.

Since housing is a key industry in the American economy, the recent signs of an upswing have now influenced the economic outlook at large, just as earlier in the year signs of a continuing cutback were taken as an invitation to caution. When the year began, most economists were predicting only a modest upturn in construction—something like 3 per cent. The general feeling then was that an expected decline in residential construction would virtually offset a moderate rise in commercial building. Construction contract awards so far this year, however, tell a different story. These awards are particularly significant since they reflect mixed building plans for the months ahead. At this point, building contracts for commercial and manufacturing establishments are up about 19 per cent over the same period of 1955; for utilities, they are some 57 per cent above last year's rate. While larger than anticipated, these building plans are fully in line with the economic requirements of the country. Business is expanding and modernizing to meet the needs of a population that is growing in numbers and gaining in purchasing power. States and local communities are building new schools, hospitals, libraries and other facilities to maintain adequate public service. But what has been a major—and rather pleasant—surprise has been the strength shown in residential construction, the field in which some observers had feared the point of over-building was near.

Since 1949, they noted, more than one million homes have been built in the United States—a total of 8.3 million in seven years. For 1955, the total came to a robust 1.3 million. However, a relatively sharp decline in housing starts that began last September seemed to support those who predicted an early end to the "housing boom."

Yet today, housing starts are on the rise once again, this was partly to be expected; building activity usually increases with the advent of warmer weather. But more significant is the fact that contracts awarded for home construction so far in 1956 actually outrun those of the corresponding 1955 period by a startling 11 per cent. This points to a residential building season far livelier than had been expected a few months ago. More and more economists now are coming around to the view that the so-called housing boom may well be here to stay for some time—that one million new dwelling units a year now can be considered a normal rather than an exceptional performance. How high the "normal" rate eventually may go as the population grows is a matter of conjecture. But the climb of American incomes is not conjecture. More and more families are moving into the middle and upper income brackets; they can afford new and better homes. Today nearly 60 per cent of American families own their homes, and the proportion is constantly increasing.

Hand in hand with this has come a rise in what has been called "standards of demand." Experts estimate that more than 480,000 old and obsolescent homes "disappeared" from the market—in other words are scrapped—every year. The gap must be filled by new building. At the same time, families are getting bigger, and people are moving from older, smaller homes

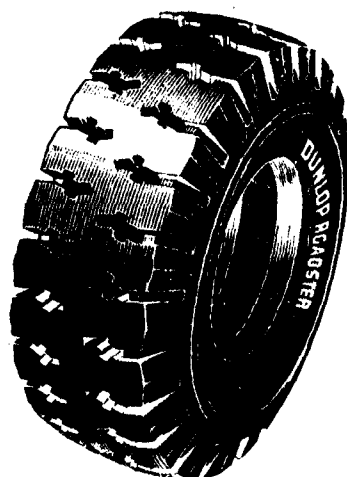
to newer, larger ones. Advances in medical science and health have lengthened the average American's life span. As people live longer they keep their homes longer, and there are fewer vacant houses available. Not to be overlooked is the ease with which homes can be bought and financed these days. Not only are down payments low, but mortgages are spread over 20 years or more, and monthly payments consequently are low. As a result, home ownership today is within the reach of many more millions than it was some years back. And it is coming within the reach of additional millions year by year.

TESTED AND PROVED ACROSS THE WORLD



DUNLOP ROADSTER

the best tyre for
Indian roads



- ★ Sturdy Tread
- ★ Supple & Strong Casing
- ★ Maximum Mileage
- ★ Ideal for Retreads



DX 473

WORLDGRAM

AGRICULTURE

Jaunsar-Bawar Zamindari Abolition Bill: The President has given his assent to the Jaunsar-Bawar Zamindari Abolition and Reforms Bill, 1956. The Uttar Pradesh Zamindari Abolition and Reforms Act, 1950, enables the State Government to apply the provision of the Act to Pargana Jaunsar-Bawar, with necessary exceptions or modifications, provided that such exception or modification is not in respect of an essential matter. The conditions obtaining in this Pargana are peculiar, and the Act cannot be applied to it without substantial changes. The State Government have, therefore, considered it necessary to promote separate legislation for this Pargana, and have accordingly drawn up the present Bill. The salient features of the Bill are: (i) apportionment of the land revenue on each khat or khag among the zamindars in proportion to the land held by each; (ii) acquisition, on payment of compensation, of the zamindars' rights on lands held by tenants, except in certain cases; and (iii) introduction of land tenures similar to those introduced in the rest of the State.

Nine Standards for Food Grain Storage: The Indian Standards Institution has published a series of nine Indian standards in the field of food grain storage. The first three standards in the series lay down codes of practice for construction for Bukhari, Kothar and Morai. Types of rural food grain storage structures respectively giving all details with illustrations, wherever necessary. The next three standards lay down codes of good practice for construction of food grain storage structures suitable for trade and government purposes, respectively for the eastern, southern and coastal regions of the country. The areas falling in each of these regions have been indicated in the standards. The seventh standard lays down the code of practice for improvement and maintenance of existing structure used or intended to be used for food grain storage. The eighth standard prescribes the code of practice, for storage of food grain and its protection during storage. The last of the series is a code of practice for handling of food grain in transit.

Jute Cultivation in Formosa: Jute cultivation in Formosa to supply the local bag factories dates long back, according to Jute Bulletin of the Indian Central Jute Committee. Production is controlled and encouraged by the Government-sponsored Industrial and Mining Corporation. The system obtaining in recent years is that of fixing a price for jute in advance by the Corporation, which also actually buys the bulk of production from growers for delivery to the mills. The rated capacity of the Formosan industry in 1954 was in the vicinity of 11 million gunny bags, but there has been a slight expansion since and two new factories went into production early in 1955. Demand from the new units led to quick exhaustion of the supply of rotted jute in June last year, when the entire factory production was suspended. The 1955 crop in Formosa gave a fibre yield of nearly 87,000 bales against a target of 100,000 bales set for the year. The season 1955-56 had started with little or no carry-over.

INDUSTRY

Production of Synthetic Rubber in UK: The first full-scale plants in Britain for the manufacture of synthetic rubber are to be erected at Fawley. It is estimated that a saving of about \$30,000,000 a year will be achieved by the production of 50,000 tons of rubber annually—approximately equivalent to the present total volume of Britain's GR-S rubber imports from

the USA (GR-S is the abbreviation for Government Rubber Styrene). The announcement, made by Esso Petroleum Company, says that plans are well advanced for the construction at the Esso refinery at Fawley of a new plant to produce butadiene, a petroleum gas, which will be fed into a new £5,000,000 factory shortly to be built on adjacent site by the International Synthetic Rubber Company, formed by the Dunlop organisation. The plants are due for completion in 1958.

German Industrial Output: West German industrial output increased by 16 per cent last year, the Federal office of Statistics has announced. The 1955 index figure was 204 (1936=100) against 176 in 1954. Output of capital goods, as compared with 1954, rose by 24 per cent, consumer goods by 12 per cent and basic industry by 16 per cent. In the last five years, industrial production has risen by 80.5 per cent. It has been doubled since 1936.

Equipment for Bhilai Steel Project: A contract for the supply of equipment for the Bhilai Steelworks has been concluded. The equipment which will cost approximately Rs. 55 crores will be supplied on credit repayable in twelve equal annual instalments. Credit will be raised on each consignment in accordance with a general average price agreed upon and interest will be payable at 2½ per cent per annum from the date from which credit is raised. The first consignment is expected to arrive towards the end of June 1956 and the entire supply completed by the middle of 1959. The Steel Works are expected to achieve full production by December 1959, but two coke oven batteries, two blast furnaces, two open hearth furnaces and the blooming mill will be commissioned about a year earlier.

New India Fisheries: It is reported that an Indo-Japanese concern under the name of New India Fisheries Limited, had been registered in Bombay to exploit potentialities in Indian Waters with modern equipment. The Company's fishing activities would, however, be restricted to operations beyond seven miles from the coast line of India, and further the Company would not fish in the Gulfs of Kutch, Cambay and Mannar, Palk Bay, Pamban Channel and such other areas as may be specified by the Government of India. The authorised capital of the Company, was Rs. 1 crore and paid-up capital Rs. 15 lakhs. The capital of Indian interests was 51 per cent i.e., Rs. 7,65,000.

Standard for Cellulose Lacquer: An Indian standard specification for lacquer, cellulose, clear has just been published by the Indian Standards Institution. This standard prescribed requirements and the methods of test for the material commercially known as cellulose lacquer, clear. The standard has been prepared by ISI's Paints and Allied Products Sectional Committee.

Steel Wire for Springs: The Indian Standards Institution has published a tentative specification for hard drawn steel wire for springs. This standard covers the requirements for four grades of hard drawn steel wire made from medium and high carbon steels, suitable for use in the manufacture of spring for general engineering purposes. Grade I is a general purpose wire intended for the manufacture of clips and similar lightly stressed articles while Grade II is a hard-drawn patented wire not suitable for high duty where prolonged service under dynamic loads is required. Wires of Grade III and IV are high duty wires suitable for valve springs and other applications where it is essential to have the highest possible resistance to fatigue failure.

TRADE

Trade Agreement between India and Poland: As a result of the recent trade talks between the representatives of the Government of India and the Polish Trade Delegation, a Trade Agreement between the two countries has been signed. The Trade Agreement provides, among other things for settlement of accounts between the two countries in rupees. It also provides for closed scientific and technical co-operation between Indian and Polish industrial organisations by way of sharing technical skill, mutual exchange of technical missions, provision of technicians and training facilities and supply of equipment and machinery. The agreement has come into force from April 1, 1956, and will be valid up to December 31, 1959, subject to the Schedules attached to it being revised for each calendar year.

Export of Jute Products: Exports of Indian jute manufactures during the nine months April to December 1955, totalled 6,95,400 tons as against 6,52,700 tons during the corresponding period of 1954. There was, however, a decline in exports in January and February 1956 which were generally regarded as the slack season for export of jute goods. In twenty countries including the United States, Canada, China, Australia, Egypt, Indonesia, Netherlands, the Philippines and Thailand imported larger quantities of Indian jute goods during April to December 1955, as compared with the corresponding period of 1954. During the same period 22 countries including the United Kingdom, Argentine, Burma, the Netherlands and Kenya imported reduced quantities of Indian jute goods.

Higher Export Quota of Hamburg Shipyards: In 1955 Hamburg Shipyards delivered 80 ships of 272 728 GRT compared with 55 ships of 223 242 GRT in 1954. Hamburg shipyards contributed 30.8 per cent of the total West German deliveries of 884 798 GRT. In 1955, 29 ships on foreign account totalling 156 636 GRT were delivered to non-German customers (in 1954, 16 ships of 90 078 GRT). Sales abroad by Hamburg shipyards amounted 274.4 million marks (£23.4 million) compared with 187.8 million marks (£16 million) in 1954. Roughly 50 per cent of last year's total turnover was on foreign account. As sales abroad of the total German shipbuilding industry in 1955 amounted to 8.15 million marks (£69.4 million), the share of Hamburg shipyards in this achievement was 33.7 per cent.

Trade Agreement Between India and Yugoslavia: As a result of the recent trade talks between the representatives of the Government of India and the Yugoslav Economic Delegation, a Trade Agreement between the two countries was signed recently. The agreement will remain into force up to December 31, 1959. During the talks it was found that possibilities existed immediately for export, amongst other things, of substantial quantities of rolled steel products and cement from Yugoslavia and of iron ore from India. It was agreed by a separate exchange of letters that the two Governments would assist the respective trading organisations on both sides to realise these possibilities.

FINANCE

Indo-British Agreement on Avoidance of Double Estate Duty: An agreement between the Government of India and the United Kingdom for the Avoidance of Double Taxation on Estate Duty has been signed. Since such an Agreement can, under the Estate Duty Act, 1953, be entered into only with the Governments of reciprocating countries, the United Kingdom has been declared

as such by a notification issued on April 2, 1956. The Agreement will be laid before the Parliaments of India and the United Kingdom in the next few days and will come into force on a date to be notified later.

Outlay for Shipping in Second Plan: Expected to increase the Indian shipping tonnage to about 900,000 GRT by 1960-61, present proposals of the Union Transport Ministry envisage a net addition of 301,000 gross tons at a total cost of about Rs. 56 crores during the second Plan period. Government of India's contribution by way of loans to Indian shipping companies, investment in shipping corporations and similar measures for the acquisition of additional tonnage is expected to be about Rs. 46 crores, including a carry-over of Rs. 8 crores from the first Plan period. A sum of Rs. 10 crores is expected to come from the private sector.

Financial Aid for Nigeria: The British Government has made available to the Government of Eastern Region of Nigeria a grant of £1,312,500 from Colonial Development and Welfare (CD & W) funds towards a £1,750,000 programme for the development of water supplies in the rural areas of the Region. Another grant of £971,400 from CD and W funds, towards a £1,295,200 programme for the development of roads and bridges in the Region, has also been made.

Further Aid for Road Development: Government of India have sanctioned sums totalling Rs. 21 lakhs for road development work in Himachal Pradesh, Tripura and Uttar Pradesh. Of this allocation, Rs. 18,08,600 are for the construction of the first 32 miles of the Dharasu-Barkot road in the Tehri-Garhwal district (Rs. 14,61,100) and for the construction of a bridge path from Badrinath to Mana Pass in Garhwal district excluding bridges (Rs. 3,47,500). Tripura gets Rs. 2,77,585 for the purchase of tools and equipment such as diesel rollers, tar boilers, tar sprayers and mixing plants. A sum of Rs. 14,300 has been sanctioned for trial borings for the construction of a bridge over the Yamuna river near Paonta in Himachal Pradesh. Technical approval has been given for widening 6-foot track to 12-foot motorable road from 84th to 89th mile (from Mandi side) of the Simla-Mandi road via Tatapani at an estimated cost of Rs. 1,63,000.

GENERAL

Tentative Standards for Book Production: For the first time in the history of standardisation in the world, the Indian Standards Institution has laid down specifications for production of books. The standard specifications relate to preliminary pages of a book such as the half title leaf, the title leaf, table of contents, etc. This field has not been covered so far by any other standards making body in the world. The Documentation Committee of the International Organisation for Standardization has decided that these Indian standards should be used as working documents to provide the basis for formulating draft international standards for acceptance by all member countries to the Organisation, such as Britain, the United States of America, the USSR, France, Germany, Italy, the Netherlands, Canada, Australia, etc.

Shipping (Continuance) Bill, 1956: The Control of Shipping (Continuance) Bill, 1956, has received the assent of the President. The Bill extends the life of Control of Shipping Act, 1947, for a further period of two years. The Act provides for the control of coastal shipping through a system of licensing and certain other ancillary matters. The provisions of this Act are to be included in the Consolidated Indian Merchant Shipping Bill which is expected to be introduced in Parliament shortly.

NEWS IN BRIEF

INDIAN

It is reported British firms are to build a giant iron and steel plant at Durgapur in West Bengal at a cost of 80 million sterling.

The Coffee Board of India has released a further quantity of 450 tons of Coffee for export from India. The Board has invited necessary tenders for the purpose.

A team of British industrialists and technical experts is arriving in New Delhi shortly to study India's requirements of services and goods, particularly machinery and engineering goods for the second Five-Year Plan and see how far the United Kingdom can supply them.

India may be soon producing synthetic rice. After three years of persistent effort, the Central Food Technological Research Institute has perfected a product which is claimed to be cheaper and more nutritious than the natural grain.

The Central Social Welfare Board has appointed a Sub-Committee to consider the question of grants to hostels for working women of lower income groups.

The Central Government has initiated action with a view to opening a direct steamer service between the mainland and the Lacadive Islands.

The per capital generation of electricity in India increased by more than a hundred per cent between 1938 and 1953.

Indian railways at present carry about 3,600,000 passengers daily as against about 1,450,000 passengers in 1938-39.

Schemes costing Rs. 3.4 crores for the development of inland water transport are proposed to be included in the second Five-Year Plan.

A scheme for the development of fruit production costing about Rs. 8 to 9 crores has been included in the second Five-Year Plan.

The Government of India have decided to appoint the English Electric Company Limited, a UK firm, as a subsidiary consultant for the manufacture of hydraulic turbines and associated equipment as part of the Heavy Electrical Equipment Project.

It is reported that Rs. 125 crores have been set apart for refugee rehabilitation in the second Five-Year Plan, the bulk of it to be spent on displaced persons from East Pakistan.

So far 161 welfare organizations comprising of about 600 authorised workers have been appointed to promote the Women's Savings Campaign and the Small Savings Movement. The total sales under the campaign have amounted to over Rs. 2½ crores.

Government of India have sanctioned Rs. 51.85 lakhs for a 2,050-foot long high-level bridge over the river Mahanada at Dingrghat (Bihar) on National Highway No. 31, Connecting Assam with the rest of India.

FOREIGN

The Netherlands State Coal mines will establish a big polythene factory with a present capacity of 5,000 tons per annum requiring an investment of several million lbs.

The Department of Agriculture has predicted that the US would export 1.9 million bales of cotton during the marketing year ending July 31, compared with 3.4 million bales last year.

South Africa is to allow a duty free quota of 12 million bales of tobacco from the Rhodesian Federation in 1956. Nine million pounds will be flue cured while the balance may be air cured.

Australia's wool exports in the eight months to February decreased in value by £A29.6 (£23.6 million sterling) compared with the similar period of the last year.

A group of West German business men has founded the Society for Protection of Foreign Investments. The society aims to encourage investment abroad and protect it against appropriation and other hazards.

It is reported UK has agreed to extend the period of repayment of the outstanding balance of £16.58 million of loans made to Yugoslavia in 1949-51 from 1962 to 1967 and to reduce the rate of interest—which averaged 4½ per cent per annum—to 3 per cent per annum.

Reports from Fredericton, New Brunswick, indicate that a syndicate of British and United States interests will make a start this May on the construction of \$56 million (£18 million) pulp and paper mill at Lapreau in Montreal.

Shipping has been selected by the British Chancellor of Exchequer for preferential treatment in connection with the measures announced by him recently to arrest inflation.

From next year, Norway will adopt the "Pay as you Earn" tax system. Norwegians have paid tax on the preceding years earnings.

Plans to include practical training in different crafts in the curriculum of refugee school children in Jordan were revealed last month at UNRWA Headquarters in Beirut.

Agreement has been reached in principle between the Yugoslav and Austrian Railways on the electrification of the Rosenbeach-Jesenice section which links the two countries.

The sterling area's gold and dollar reserves, a barometer of Britain's economic health rose by 67 million dollars in March. This is the third successive month the reserves have shown an increase rising by 29 million dollars in January and 61 million in February. The total reserve on March 31, stood at 2,277 million dollars.

Special Articles:

THE CITIZEN AND THE STATE—II

By SARDAR K. M. PANIKKAR

[The first instalment of this article appeared last week.—Ed.]

THE Indian Constitution in a measure realised the significance of this problem and incorporated in the Fundamental Law a chapter affirming and guaranteeing the basic rights of the citizen. This declaration of Fundamental Rights is a self-denying act by the State itself in favour of the individual. Freedom of expression, conscience, assembly, etc., to which the Liberal State attached importance are secured to us by the Constitution and so far the State has worked within that rigid framework. And yet nowhere has legal protection been sufficient to safeguard human rights. It is only by constant vigilance by the public itself that the inevitable tendency of the State to encroach on the rights of the individual can be checked. It is here that India has been slack. Instances can be quoted both at the Centre and in the States where such invasions on the rights of the individual have been accepted without protest.

One case deserves special mention. A distinguished writer of Indian origin, Mr. Aubrey Menon, published in England a satirical work entitled 'Rama Retold' in which he dealt in an unorthodox manner with the characters of Rama and Sita. The book did not attract wide attention in India, but the Home Ministry of the Government of India, considering it objectionable, prohibited its entry into India and had all copies forfeited. The reason alleged was that the book was likely to wound the susceptibilities of the Hindus who looked upon Rama as an 'Avatar' of God. It is not necessary for the purpose of our discussion to discuss the validity of this argument, though it may be noted the 'en passant' that much more virulent criticism of Rama is common enough in the books produced in Southern India, and that at the very time that 'Rama Retold' was being proscribed a more offensive parody of the Rama story was being widely circulated in Madras. Also it is worthy of note that it is a part of the general tradition of Hinduism to criticise the worldly activities of 'Avtars', a notable instance being the attitude of the early Arya Samaj writers to the Krishna legend. It may be that the Home Ministry was justified in the action it took on the grounds of public security, the maintenance of law and order. But the point here is that the action of the Government passed practically unnoticed and was not subjected to any criticism in India itself. The lack of public interest in the maintenance of public rights is a danger signal in democracy, for we should never forget Jefferson's wise dictum that the only safe depositories of the rights of the people are the people themselves.

Another important duty of an intelligent citizen is to resist the influence of mass opinion on his mind. This is particularly important in a democracy where the mass-mind is quickly aroused and is often unscrupulously led. In monarchies, dynastic interests and in oligarchies the vested interests of groups stand in the way of such exploitation of mass-opinion. The history of modern States proves clearly that in communities where leadership is based on public opinion the tendency to exploit mass-emotions is almost irresistible. What divides democracy from tyranny is but a thin line; and this line is the toleration of unpopular opinions. All democracies have a tendency to equate unpopular opinion with anti-State and unpatriotic

activity. It shows itself in a hundred, apparently inoffensive, ways in normal times; but in times of crises it develops into a national hysteria, and those who hold unpopular opinions are branded as enemies of the people. Even in England where toleration of unpopular opinion is a part of the national tradition, during the First Great War the difficulties that Lord Landsdowne, a former Foreign Secretary, encountered for expressing the view that a negotiated peace may perhaps be desirable, the persecution to which Bertrand Russell was subjected for holding unpopular views in regard to war, and the way Ramsay MacDonald was treated, should make us realise that in times of national hysteria democracies are especially subjected to this danger. In our new democracies where the tradition of tolerance in political matters is not strong, it is, therefore, particularly important that we should not merely emphasise the right to free speech, but uphold as a matter of national importance the right to the free expression of popular opinion. This in fact what freedom of speech means. The danger is an insidious one for generally it is not through Government action that unpopular opinion gets suppressed, but through the action of the public itself. It is, therefore, a primary duty of the individual citizen to see that democracy does not get debased into tyranny by insistence on conformity, by denying expression to views against the current of popular opinion. The famous declaration of Voltaire that he will fight to death a certain opinion, but that he will equally fight to death for the right to maintain such an opinion, represents the true democratic spirit. This is a point of view that cannot be too strongly emphasised in a modern society which shows unusual readiness to accept mass-judgment on vital matters, especially when the propagation of mass-judgment is aided by the most modern techniques, the radio, the cinema and the tabloid press.

We have so far dealt with the problem of safeguarding the individual's rights in a modern democratic State. Equally basic to the conception of democracy is the individual's duty of participation in the working of the State. Sovereignty being vested in the people, the ultimate responsibility of all action rests with them. This is emphasised to some extent by the system of elections based on adult franchise to governing bodies, parliaments, assemblies, district boards, municipalities etc. But the citizen's duty does not cease with his voting at elections and then leaving the work of governance to the leaders thus chosen, or to those who make a profession of politics. For the people to wake up at election time and then again go to sleep is to allow the forms of democracy to be utilised by interested groups. More than that, it is not an efficient or satisfactory way of government. Democracy can function satisfactorily only if there is constant and unceasing co-operation between the public and the Government. It is only by the co-operative thinking of thousands of people working through voluntary organisations that ideas and policies are formulated in a democratic State. It is the widespread existence of such organisations, academic, voluntary, functional, at political, social and economic levels, that provides the necessary background of ideas for a democratic Government. Whether organised by

Concrete Roads

FOR

PERMANENCE

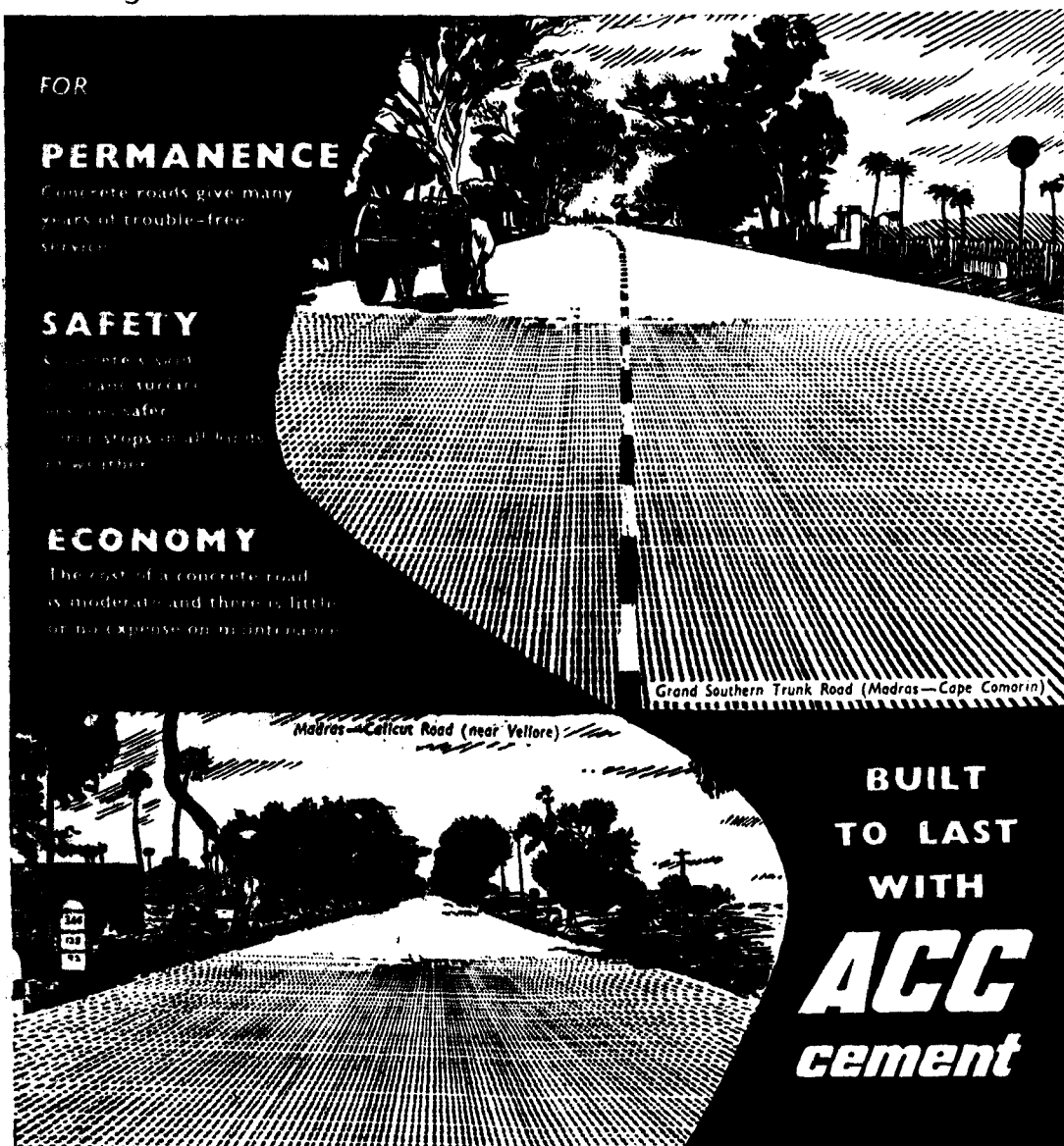
Concrete roads give many years of trouble-free service.

SAFETY

Concrete roads are safer than any other type of road.

ECONOMY

The cost of a concrete road is moderate and there is little or no expense on maintenance.



BUILT
TO LAST
WITH

ACC
cement

ACC

THE ASSOCIATED CEMENT COMPANIES LTD.

Sole Managers:

THE CEMENT MARKETING CO. OF INDIA PRIVATE LTD.

SISTA'S CMI-248

parties, or by independent groups, such co-operative thinking on essential issues is what provides both the framework of criticism and the machinery for independent thought in a modern State. Thus trade unions, chambers of commerce, research institutions, academic conferences, not to speak of specialised bodies devoting themselves to the examination of social and political questions, are equally the organs of the democratic State as are the more formal institutions like parliaments and other legislative bodies. Unless the citizens of a State take continuous interest in the development of ideas and their popularisation, democracy cannot function as a dynamic political system.

A special duty rests on the citizens to ensure that the declared purposes of the State are not ignored and overlooked by political leaders. The modern State exists to fulfil certain defined social and economic purposes, for the steady pursuit of certain ideals. We in India have defined them in our Constitution where emphasis is laid on social justice as the objective of the State. We have further elaborated it as the achievement of a welfare State based on a socialist pattern. Now, it is obvious that in every society, however progressive, there will be powerful elements, which under different pretexts will be trying to weaken these purposes if not actively to oppose them—forces of social reaction, basing themselves on a veneration of the past, forces representing communal or economic privilege, speaking the language of stability and security. It is the duty of the citizen to be vigilant with regard to these forces and to show awareness of the dangers inherent in such developments.

A more insidious danger lurks in the possibility of the leadership in the country becoming complacent and losing the sense of dynamism. The great urges and motivations which carried us forward during the period of national struggle may be weakened by time. This is a common enough phenomenon in politics and the history of new nations provides many instances of a gradual weakening of national purposes. The most conspicuous examples in modern times are those of the Kuomintang in China and of the Wafd in Egypt. This inherent danger can only be counteracted by the active interest of the vast mass of citizens in the policies of the State, their constant vigilance against backsliding and continuous and unrelenting pressure against any weakening of the national will. It is only where there are widespread and intelligent groups of citizens, who by criticism and constant watchfulness keep the leadership up to the mark, that a democracy functions as a progressive social structure.

INDO-RUSSIAN SHIPPING AGREEMENT

THE agreement for the regulation of a cargo shipping service between India and Russia, which was signed by the governments of the two countries on April 6 last, came as a corollary to the recent bilateral trade agreement between them. Ordinarily, a separate shipping service agreement is not considered necessary and a broad principle is usually incorporated in bilateral trade agreements expressing the willingness of the countries to promote the interests of their shipping services in the course of the trade. The Indo-Russian agreement has become necessary primarily because regular and frequent shipping services do not operate between the two countries and also because it was thought desirable that the ancillary benefit of larger shipping services should accrue to the two parties.

The principle of parity in distribution of the cargo and the fact of the execution of a special shipping agreement are likely to create certain hopes which

There is only one other tendency to which I shall allude here. In oriental countries, especially, there is a tendency to elevate the leader to a position of unique importance and invest him almost with superhuman virtues. This may be described as "the father conception", a phenomenon which becomes specially noticeable if the leadership remains continuously in the same hands over a long period. This may be seen in practically every country in Asia. One result of this development is that the leader remains above criticism, his actions, attitudes and prejudices being taken as something which are sacrosanct. We have recently seen how this 'father principle' operated even in the Soviet Union and how the Soviet leaders had to wait for some time to elapse before the myth of the great Stalin, 'the inspired leader and the teacher of humanity', could first be quietly given up and then publicly attacked. The danger of the development of the conception of the unique leader is no less great in Asia's new democracies. It is our good fortune that so far as India is concerned Mahatma Gandhi, though revered and almost worshipped by the masses, was so firm in his faith in democratic processes as to submit himself to public criticism and often to withdraw from leadership. This is even more true of Pandit Nehru. In spite of the unexampled adulation of the people, and the unique authority he has established in the country, he has himself fought against the growth of the 'leadership' principle and helped actively to develop in India collective responsibility and free criticism. But the trends are there among the people and it is the duty of every citizen to be constantly on guard against them.

Democracy is a system which in normal times requires dispersed leadership for its success. Only in exceptional circumstances does it require unique leadership which concentrates power in its own hands. In times of crises, it not only tolerates but welcomes the leadership of the exceptional individual—a Churchill, a Roosevelt, or a de Gaulle; but in normal circumstances, it frowns upon such people—Aristides the Just is rewarded in democracy by exile, and a Churchill, who led the nation with heroic greatness during a life-and-death struggle, is defeated in election at the end of the crisis. In India, the circumstances of our new freedom required an exceptional leader in whom the powers of the State could be concentrated. It was our good fortune that the leader was one whose burning faith in democracy ensured us against the development of a system of veiled dictatorship, one using the form of democracy for the maintenance of an authoritarian regime. But the future is something which depends on the people themselves and it is the duty of every citizen to be vigilant about it.

are not in reality warranted by the situation. The reason for the agreement is now easy to appreciate. As for parity, it needs to be remembered that it may be possible just because the volume of the cargo trade is extremely limited. It is yet another proof of the desire not to allow imbalance in payments; if, as is probable, the balance of trade in merchandise is in favour of the Soviet Union, it would only be accentuated by larger Soviet shipping services. It is, therefore, better that more Indian bottoms should carry the trade. A good deal of manipulation, however, would be necessary to achieve this objective and such manipulation will not be ordinarily practicable in large-scale trade between countries with gross disparities in their national tonnages.

An important angle from which the value of this agreement is to be judged is its impact upon the shipping services of India and other maritime countries

participating in the foreign trade of this country. The real question to ask is to what extent this agreement will alter the present pattern of the shipping services serving India's trade. Table A in this article gives a comparative picture during the post-independence period of the number and tonnage of steam ships which have entered or cleared with cargo or in ballast. The important statistics in this table are those which relate to the tonnage of the ships. A glance at the percentage shares of the tonnage of different nationalities in the inward as well as outward bound trade brings out the importance of the role which different countries play in the shipping services. The UK holds the largest percentage share in the tonnage involved in the services, although it is quite obvious that the quantum of her share is progressively decreasing. The United States claims the second rank in this regard and it may be stated that her share is more or less steady except for minor fluctuations. Among the remaining countries which ought to be regarded as major contributors to the shipping services which India requires are the Netherlands, Norway and Japan. Western Germany is emerging into greater importance in the carrying trade with this country, although her share is not separately mentioned here. It is a fact which needs to be noted with particular attention that Japan whose merchant navy

had practically disappeared at the end of the war is fast capturing an increasing share in this trade.

Russia's place in the total picture is easily seen from the percentage in tonnage which has declined by half between 1948-49 and 1952-53. Even taking her maximum share for comparison, its small size, as low as 0.4 per cent, explains the relative place of Russia. Any possible increase resulting from the recent shipping agreement in Russia's share will necessarily be related to this basic factor. The pattern of shipping services plying the Indian ports is unlikely to be affected in any mentionable degree by a possible increase in the frequency of the visits of Russian ships to India.

The shipping agreement between India and Russia has been designed primarily to serve the existing and the expected larger trade between them. There is a provision in the agreement which stipulates that the number of ports and the number of ships on each side may be increased by mutual consent above the present limits of 2 and 6. This enlargement of the services will depend upon the increase in the trade between the two countries, in the first instance, and in the trade between India on the one hand and the other European Communist and adjacent countries, in the

TABLE A
NUMBER AND TONNAGE OF STEAM SHIPS ENTERED OR CLEARED WITH CARGO OR IN BALLAST IN OR FROM INDIAN PORTS FOR TRADE WITH FOREIGN COUNTRIES

Nationality	Entered			Cleared		
	Number	Tonnage	Percentage of Tonnage to Total	Number	Tonnage	Percentage of Tonnage to Total
Indian	1948-49	423	2.2	416	236,919	2.5
	1950-51	736	6.1	767	810,001	7.2
	1952-53	879	7.9	805	1,062,402	8.1
British	1948-49	1,632	62.5	1,582	5,894,221	62.3
	1950-51	1,358	53.6	1,474	6,117,515	54.5
	1952-53	1,255	46.6	1,403	6,061,530	46.4
American	1948-49	189	8.9	175	353,227	9.0
	1950-51	197	8.5	190	877,132	7.8
	1952-53	225	8.4	255	1,142,213	8.7
Dutch	1948-49	103	4.6	81	352,673	3.7
	1950-51	119	4.7	107	457,336	4.1
	1952-53	112	4.2	148	653,831	5.0
Italian	1948-49	61	2.1	60	199,923	2.1
	1950-51	67	2.5	66	270,729	2.4
	1952-53	67	2.3	74	304,147	2.3
Japanese	1948-49	2	0.1	2	9,978	0.1
	1950-51	10	0.4	29	115,750	1.0
	1952-53	225	6.4	255	357,195	6.6
Norwegian	1948-49	157	5.7	146	535,151	5.7
	1950-51	168	6.5	209	818,590	7.3
	1952-53	149	5.2	140	570,871	4.4
Russian	1948-49	10	0.4	13	45,286	0.4
	1950-51	10	0.2	11	18,815	0.2
	1952-53	6	0.2	6	18,789	0.2
Other	1948-49	2,736	13.4	2,653	1,339,238	14.2
	1950-51	2,964	17.6	3,060	1,742,747	15.5
	1952-53	3,292	13.5	3,625	2,382,966	18.3
TOTAL	1948-49	2,903	100	2,812	9,466,616	100
	1950-51	3,142	100	3,280	11,228,615	100
	1952-53	3,447	100	3,771	13,053,944	100

next instance. Here again the basic indicator of the probable future trends in the expansion of shipping services is the trade of individual countries with India. Table B below sets out the present position in this respect.

TABLE B

Percentage Shares of Selected Countries in India's Foreign Trade in Terms of Value During 1954-55

UK	28.20	Sweden	0.63
US	14.32	Irish Republic	0.60
W. Germany	4.49	USSR	0.32
Italy	2.61	Denmark	0.29
Canada	2.30	Norway	0.27
Netherlands	2.23	Czechoslovakia	0.24
France	1.61	Poland	0.12
Belgium	1.32	Hungary	0.03
Switzerland	1.00	Yugoslavia	0.02
		E. Germany	0.02

The figures in the above table re-emphasize the plain fact, that the quantum of the trade of Communist countries with India is fractional. Given the necessary incentives and encouragement as contemplated by India's

bilateral trade agreement with them, it is expected to increase, but not in any appreciable degree. The trends in the tonnages of different nationalities are not likely to be changed to any material extent as a consequence of the agreement.

Still another effect of this agreement in which this country is interested is the probable increase in the Indian tonnage operating the distant sea trade. In this context the relevant factors are the tonnage owned by India whose share is fixed in the agreement and the target of expansion in the Indian tonnage in the second Plan intended for the distant trade. The agreement indicates that a tonnage of 55,000 on each side will be adequate to carry the trade between India and Russia. It should be remembered here that the frequency of the visits of the ships will largely influence the tonnage that will actually operate the trade. The scope for its increase is limited. The second Plan contemplates an increase from 283,500 tons to 405,500 tons in Indian shipping to carry the distant overseas trade. This increase will very likely accommodate the larger trade with Russia. It will be optimistic to expect that the agreement will make an appreciable impression on the Indian tonnage.

BOOK REVIEW

TAXATION AND INCENTIVE

An Expenditure Tax: By Nicholas Kaldor: George Allen & Unwin Ltd.: Price 18s.

Mr. Nicholas Kaldor's book on 'An Expenditure Tax', has attracted a great deal of attention since it was published recently; and in India it has perhaps been more widely discussed than in Britain because of the mention of the expenditure tax as one of the possible sources of revenue for the second Five-Year Plan. This publicity would be entirely to the good if it leads everyone interested in the idea to make a close study of the book itself, instead of making them repeat the idea of an expenditure tax as if it were a socialist slogan. The mistaken impression has gained ground that the expenditure tax is a new addition to the Finance Minister's armoury and the fact that Mr. Kaldor is identified with the Left in Britain has led to the belief that the expenditure tax is an egalitarian measure.

But it is not so much for an assessment of the merits and demerits of an expenditure tax that the book should be read, though Mr. Kaldor has argued a case for an expenditure tax with vigour and conviction. He has not, however, allowed his championship to ignore or minimise the serious difficulties in devising a practicable mode of levy of this type of tax. Indeed, as the book develops and proceeds to its conclusion, the case for an expenditure tax seems well-nigh lost and Mr. Kaldor shows a great candour in almost conceding to that effect. To tax income-earners without at the same time taxing their savings is a problem that has engaged the attention of a respectable line of economists from John Stuart Mill downwards. But the position today is no better than before; in some respects it is even worse because of the established position of the income-tax in spite of all its inequitable aspects. Mr. Kaldor has been quite fair in his conclusions. He agrees that "a personal expenditure tax would undoubtedly be a more complicated tax to administer than the present type of income-tax; it would make greater demands on the taxpayer in the preparation of the return, as well as

on the Revenue officials in checking it; that in consequence, it may never assume the role of the present income-tax as a tax embracing two-thirds, if not three-quarters, of the whole working population of the country." Mr. Kaldor further adds that "it would be impossible to think of replacing the present system with an expenditure tax system at one stroke, so to speak. There is well over a hundred years' accumulated experience in administering the income-tax. There is no such experience concerning the expenditure tax; and until some practical experience is gained in its administration, it is not really possible to foretell with any confidence how difficult its administration would prove in practice."

The question then arises as to why Mr. Kaldor had to write a book. The answer is that Mr. Kaldor has found in the expenditure tax an irresistible peg on which to hang his thoughts on taxation in relation to a system of incentives to help saving and investment. Here in this book one finds ample proof that the complaints against the present systems and rates of income-taxation are not mere protests of the affected interests; and a socialist economist has valuable lessons to teach to the average socialist politician.

In the climate in which taxation is being discussed in this country, the temptation to quote freely from Mr. Kaldor's book is very great in order to counter some of the glib assumptions of politicians and planners. One passage, however, is significant which relates to the principle of taxation as an instrument of attack on the concentration of economic power. After conceding that such concentration is inevitably associated with all large-scale organisation and not always with large personal fortunes and can occur as well in a socialist community, Mr. Kaldor is of opinion that it is not a problem which can or should be dealt with through an instrument of taxation because the taxation which destroys the power would also put obstacles to growth. Mr. Kaldor would advocate instead a system of inheritance and gift taxes and taxation on capital gains, while allowing the maximum incentive for earning and saving.

The Business World

TOWARDS HEALTHY INVESTMENT CLIMATE

By
CROESUS

VIEWED from any angle, the Industrial Credit and Investment Corporation of India Ltd. (ICICI) must be said to have fared very well for so infant an institution. It will be remembered that it was only on January 5, 1955, that the Corporation came into being. But, within the brief span of 18 months (or only 9 months from the date on which the Corporation commenced business), it has been able to present an annual report with a net profit of a little over Rs. 25 lakhs. The Corporation's financial position is quite sound, in that it has got liquid investments amounting to nearly Rs. 5 crores and cash and bank balances aggregating about Rs. 7 crores. The way in which appropriations have been made out of the profits of the Corporation is a visible proof of the prudence which is characteristic of any well-managed privately owned business. It is unnecessary to stress here the point that this Corporation was intended to be, and has been, a wholly privately owned business, notwithstanding the passing into Government control and ownership of 18 per cent of the share capital of the Corporation. This is one of the effects of the nationalisation of life insurance companies, to which the ICICI Chairman, Sir Ramaswamy Mudaliar, did well to call attention at the first annual general meeting of the Corporation, held early last week. Government, however, has promised to take no advantage of this position.

In his Chairman's speech at the annual meeting, Sir Ramaswamy also dwelt on the practicable effects of the concentration of control over life insurance companies in the hands of the proposed Nationalised Insurance Corporation. In this connection, he welcomed the Finance Minister's remarks that it was intended to continue on the same scale to support the private industry which previously had been given to it by the various life insurance companies. For, without such an assurance, it would have been difficult for the Corporation to build up its underwriting organisation. At a time when conditions in the stock markets are so unfavourable and unsettled, it would be difficult for any underwriter, whatever his resources, to undertake to subscribe such part of the public issue as is not subscribed by the investing public. The underwriting work of the Corporation has, therefore, a special significance, and it is no secret that the present popularity of the Corporation stems considerably from the fact that it ventured to underwrite public issues of shares right from the start.

Sir Ramaswamy referred also to another aspect of the nationalisation of life insurance arising from the concentration of control of life insurance funds. He rightly stressed the importance of market operations by insurance companies for the prosperity of the stock markets. "No stock market, nor indeed any other market, can prosper and be enabled to fulfil its function of providing a place where buyers and sellers come together, unless a substantial volume of transactions takes place. It is a fact that, in the past, insurance companies (here I am speaking particularly of the larger and well-run units) have undertaken a great deal of conscious and informed management of their industrial portfolios for which purpose they have built up the requisite skilled organisations. The transactions, both purchases and sales, which have resulted from this activity have provided a considerable volume of business for the Indian Stock Exchanges thereby enabling them to function more efficiently to the bene-

fit both of industries seeking capital and of the investing public." Sir Ramaswamy's purpose in saying all these was just to make the point that it will not be sufficient for those who are soon to be charged with the responsibility of managing industrial portfolio of nationalised insurance to consider themselves as mere holders of a large block of investments representing a cross-section of Indian industry. As he opined, "they will need not only to seek out well-sponsored new industrial enterprises which merit the support of the funds at their disposal but also to continue the policy of conscious management of their investments primarily to the interest of the policyholders but also in order that stock markets may continue to fulfil their important role."

The Corporation being an investment institution as the name itself suggests, it is not surprising that the ICICI Chairman chose, as the main theme of his Presidential address, the causes contributing to the present conditions in the stock market in the country. "It will be evident to everyone" declared Sir Ramaswamy, "that, if the establishment of new industries and the expansion and modernisation of old ones in the private sector are to be as successful as we all hope during the second Five-Year Plan, it is necessary that all interested in the economic and social progress of the country should avoid a continuing series of shocks to the investing public. Since this Corporation came into being, there has been, I think it is fair to say, a series of measures which have produced a feeling of some uncertainty. But even more serious than the measures which Government has adopted are the constant suggestions, proposals and recommendations made by persons holding leading positions but not directly responsible for the enactment of fiscal measures regarding how the private sector should be altered, modified or even abolished."

Lest someone should argue that the private sector can have no place in the new Socialist structure of society, the ICICI Chairman reiterated the remarks he made at the Corporation's Statutory Meeting regarding the relationship between the private and the public sectors. "With a full realisation and, indeed, a complete acceptance of the pattern of society that has been decided upon", he stressed, "in our country today, where we are concerned with conditions as they are at present, I feel that the plans for a large-scale expansion of the public sector of industry will fructify best not independently of, but in conjunction with, the private sector. The two are inextricably bound up and, unless the private sector is enabled to fulfil its role, the public sector will be prevented from carrying through to a successful conclusion the very substantial plans which have been laid for it."

If this thesis is accepted, as it must be, it follows that the authorities should take note of what Sir Ramaswamy said in regard to the effect of what he aptly termed "the anticipatory shocks" given from time to time on the investing public. As he said, it does not seem that some persons at least in leading positions who facetiously forecast the nature of possible fiscal measures, though not at all connected with actual decisions of such matters, fully appreciate the uncertain effect on the mind of the investing public of what they predict. A climate calculated to restore investors' confidence must be created by conscious effort.

ELECTRICITY LEGISLATION

By
CROESUS

THERE have been several criticisms of the targets of production indicated in the Draft Outline of the second Five-Year Plan. An almost universal criticism has been that the target for transport is hopelessly inadequate. But few would appear to have given adequate thought to the reasonably high targets in the second Plan, from the point of view of whether these targets could at all be attained in the prevailing conditions. It appears to me that the electricity industry has the unenviable distinction of falling under the latter category. For, although the target for this industry in the second Plan represents an increase of 100 per cent over the existing capacity, that is from 3.4 million kwts. to 6.8 million kwts, it is doubtful whether the industry, at any rate the private sector thereof, will be able to fulfil the task assigned to it, 'as things stand today.' The present plight of the electricity is fully reflected in the index number of shares of electricity undertakings today as compared to what it was, say, a year ago. Unlike other shares, and contrary to the usual trend in the past, whereas the index numbers of other industrials have improved, that of electricity shares has fallen. Even so sound and well-managed an electric company as the Ahmedabad Electric Company Ltd. has had to reduce its dividend in respect of its last year's working (1954-55) from 6½ per cent to 5 per cent, that is half a per cent below even the Standard Rate of 5½ per cent proposed under the Electricity Supply (Amendment) Bill. It was because of this that Mr. K. G. Milne, Chairman of the A.E.C., expressed the hope that, ere long, the law would be so amended as to afford the future investors in the electricity industry sufficient incentive.

Anyone must admit that this is an extremely reasonable plea, a plea which fully conforms to what the President of the World Bank said on the subject of financing of power developments in underdeveloped countries at the Eighth Annual Meeting of the Bank in September 1953. For purposes of record, I feel it is worth while reproducing here the relevant extract from that speech:

"It is, I think, regrettable that, at some times in some countries, the rates charged to the consumer for power are fixed by the authorities more with reference to the political factors of the times than with proper regard to the economic necessities of particular situations. When this happens, every sound financial and business consideration runs the risk of being sacrificed in what is believed to be the cause of cheap power. But, if power can be made cheap only by charging rates that do not provide an economic return, the power undertakings are denied the ability to raise not only funds to finance needed expansions, but even the funds to maintain their existing plants in good order. In such circumstances, the community in the long must be a heavy loser".

It should not be difficult to evolve an electricity law that will satisfy the requirements laid down by the President of the World Bank as above, provided our legislators apply their minds properly to the Electricity Supply (Amendment) Bill, which is likely to be taken up at the current session of the Lok Sabha for reference to a Joint Select Committee of the two Houses of Parliament.

Be that as it may, from the point of view of an investor, there are three principal changes that are proposed under the Bill in question which need particular attention. These are: (1) the proposed linking of the Standard Rate to the Bank rate with a differential of 2 per cent instead of the present fixed overall level of 5 per cent, (2) the proposal to provide for electricity supply industry all the benefits of the Development

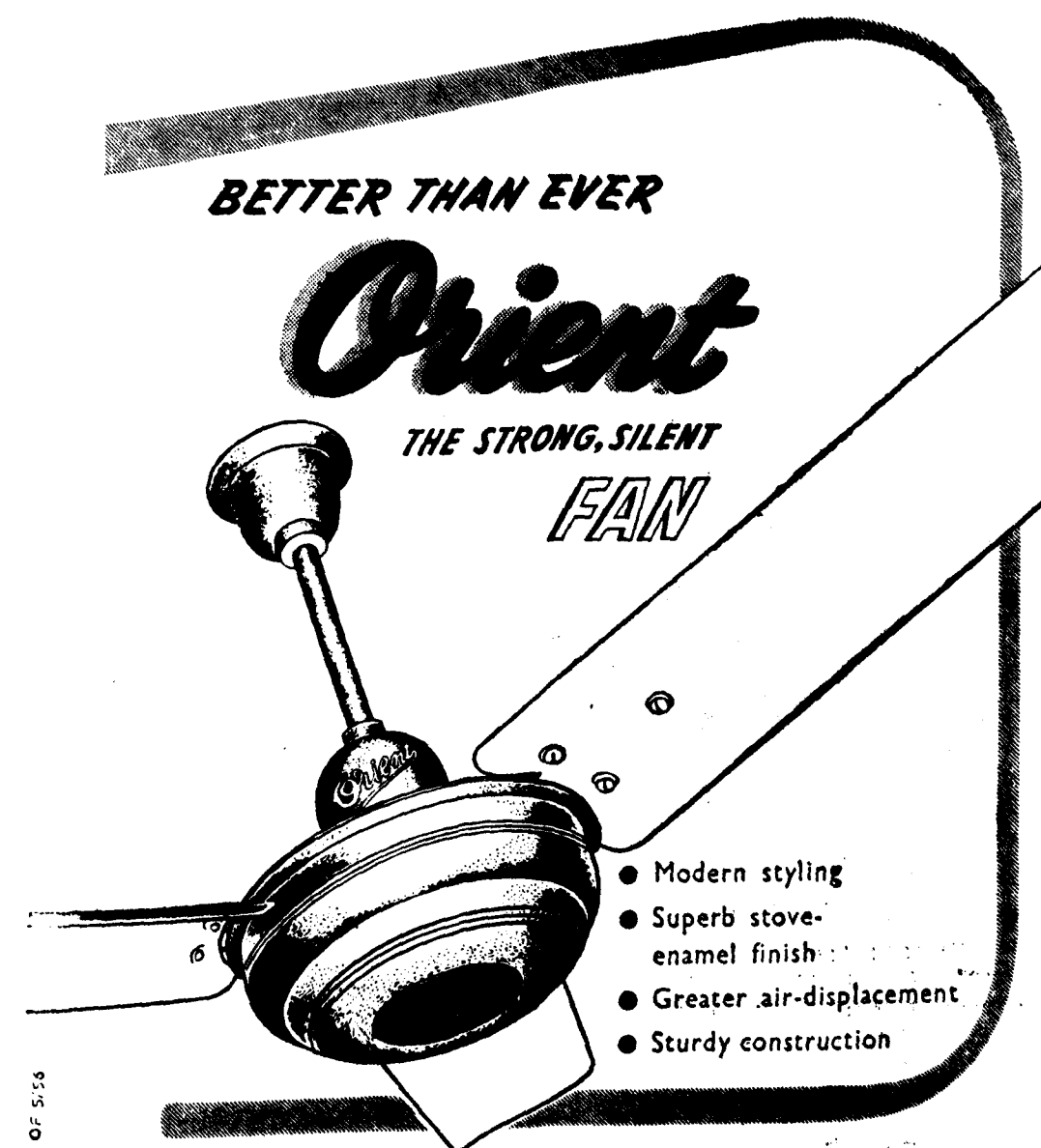
Rebate permitted under the Finance Act 1955, and (3) the proposal to disallow debenture and loan interest as an expense in the computation of permissible clear profits, on the ground that debentures and loans find their places in the capital base upon which the standard rate of return is already allowed.

By reason of the importance of these proposals, the A.E.C. Chief naturally dwelt on them at some length. In regard to the first proposal, it is obvious that the Standard Rate proposed in the Bill, namely, 5½ per cent, will hardly meet the situation as it has developed since the Bill was framed. Unless the Bank rate is raised, a contingency that cannot be ruled out altogether in the prevailing context of the money market, it is necessary, as Mr. Milne stressed, that the differential of 2 per cent over the Bank rate indicated in the Bill should be raised to at least 2½ per cent. Considering that the industry in the private sector would need as much as about Rs. 50 crores for financing its expansion programme under the second Plan, it is a moot point whether even a Standard Rate of 6 per cent will enable electricity undertakings to ensure the full measure of internal finance required.

As regards the second provision regarding development reserve, the proposal as it stands lacks both grace and sanity. In the first place, the element of compulsion which makes the appropriation of this reserve rank as a prior charge in calculation of clear profits creates a perilous position, as Mr. Milne pointed out. For, he would be a prophet indeed who could be certain of being able to earn enough clear profit every year to meet both this prior charge and the full reasonable return. Again, the suggestion that the appropriations should be based on 25 per cent of the capital expenditure during a year and not on the revenue surplus of that year will only give rise to avoidable fluctuations, such as the tariff structure of no industry so tightly regulated as the electricity industry, which is also capital intensive can never hope to cope with. Finally, so far as the investor is concerned, this development reserve is of no consequence, inasmuch as the reserve is not available to the company for being added to the capital base and has to be made over to the purchasing authority eventually.

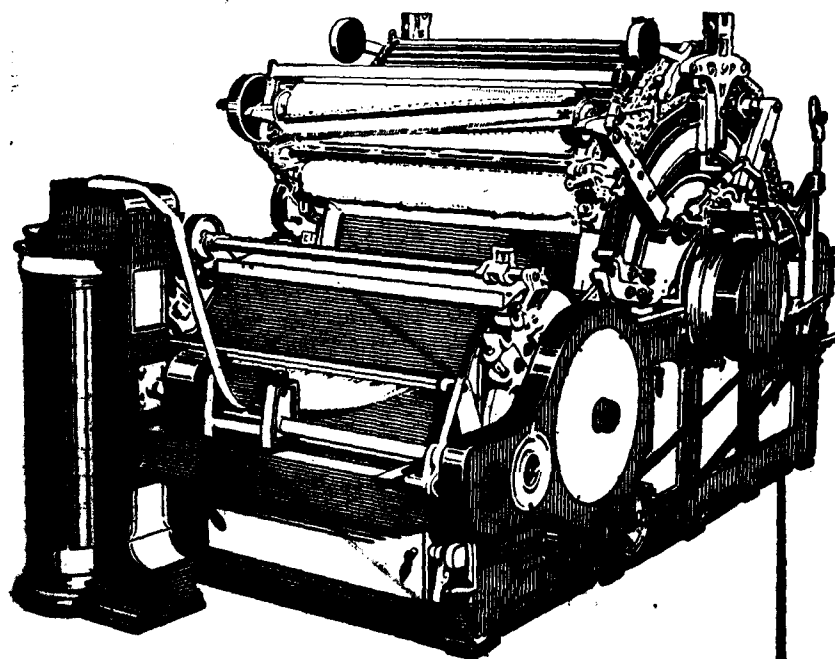
By making such tight jacket provisions in the Bill, the framers have only laid themselves open to the charge of entertaining an ulterior motive to deprive shareholders of even the permissible return with a view further to depressing the value of electricity shares on the stock markets and thereby facilitate taking over of the industry by the Government at a later stage by paying an unduly deflated value.

The third proposal is apparently intended to indicate the recent decision of the Central Electricity Authority which admitted the interest on loan and debenture capital as items of expenditure for purpose of determining clear profit, following a reference by the A.E.C. to the Authority of the Bombay Government's contention over the admissibility of interest on loan and debentures capital for the purpose. So long as this was not questioned electric companies were able to raise and invest any amount of equity capital and debentures. In the case of the A.E.C., as Mr. Milne disclosed, an anomalous position has been created by the new proposal, in that the Company stands to lose more from its allowance of interest figures than it stands to gain from the proposed upward revision of the Standard Rate of return! This is clearly in contradiction to the Government's own policy (applied to labour) of not penalising anyone when a change is effected by making one get less than what one actually used to get before the change.



ORIENT GENERAL INDUSTRIES LTD. 6, Ghore Bibi Lane, Calcutta-11

Sole Distributors:—M/s. REPUBLIC ELECTRICAL CO., 16/25, Katra Baryan, Fatehpuri, Delhi. Telephone: 23831-(PP)

MMC**revolving flat cards**

are now being extensively used

in Textile Mills in India.

Their efficiency is undisputed,

their reliability guaranteed.

Outstanding features

- 1 Five distinct setting points, used singly or in combination to control setting to .001 inch.
- 2 Johnson bronze bearings for cylinders and doffers. Roller bearings to cylinder; ball bearings to doffer and ball bearing comb box also provided as optional equipment.
- 3 Ball bearings to lick-in pedestals.
- 4 Self-lubricating 'Olice' bearings at several locations.
- 5 William's patent stripping motion for flats.
- 6 Drop lever with new disengaging handle.
- 7 Fluted lap roller with positive gear drive from feed roll helps uniform feed of lap at the back with minimum possible stretching.
- 8 Cards can be geared for any production in a mill organization.

MACHINERY MANUFACTURERS CORPORATION LTD.

Factory: Sonal Works, Kidderpore, Calcutta 23.

Managing Agents:

MAHINDRA & MAHINDRA LIMITEDHead Office: Gateway Building, Apollo Bunder, Bombay.
Calcutta Office: Hall & Anderson Building, Park Street.

(Incorporated in India)

Through a network of branches in India, Burma, Ceylon, Malaya, Thailand & Hong Kong and our correspondents at all important commercial centres of the world, we are in a position to offer the most complete Banking Service to Businessmen and Manufacturers engaged in the export and import trades.

Service is our motto

General Manager: Mr. C. P. Doraisannu

**RECORDS & STATISTICS
(QUARTERLY BULLETIN)**

Editor: R. V. MURTHY, M.A.

"The Eastern Economist" Bulletin of Records and Statistics surveys economic trends in each quarter in India and abroad with the aid of graphs and all available statistics. One of its special features is the Investment Supplement.

Annual subscription	Rs. 12
For subscribers to "The Eastern Economist"	10
Single copy	3

Copies can be had from all important Booksellers and Railway bookstalls of Messrs. A.H. Wheeler & Company

For details write to:
THE EASTERN ECONOMIST
NEW DELHI: 52, Queensway.

BOMBAY: Kermani Bldg., Sir P.M. Road, Fort.
CALCUTTA: 28 & 29, Royal Exchange Place Extn.
LONDON: 3, Salisbury Court, Fleet Street.
NEW YORK: 25, Broadway.

BUSINESS NOTES**AMERICAN COTTON EXPORT PLAN**

A GOOD deal of heat has been generated by the recent announcement of the US Department of Agriculture regarding the extension of the American cotton export plan, which, it may be remembered, was initiated in January last. The text of the US export policy for the 1955-56 season, it may be recalled, contained the following provisions:

(i) Stocks with the Commodity Credit Corporation are to be offered for sale for export on a competitive bid basis;

(ii) After January 1, 1956, when the major part of the 1955 crop has been marketed, not more than one million bales of CCC stocks of lower qualities are to be offered for sale on an open competitive bid basis, and

(iii) All programmes and operations are to be handled on a gradual basis—"there will be no 'dumping' of US cotton on world markets."

In the context of this policy enunciation, it is surprising that the U.S.D.A. should now have come out with an announcement regarding the extension of surplus sales and that so soon after the successful completion of the sale of one million bales of upland cotton. Evidently, in arriving at this decision America must have thought that she could ill afford to let go the present opportunity of capitalising the successful sales of the first one million bales and, in the process, conveniently forgot her earlier assurances to the outside world that 'not more than one million bales of CCC stocks would be offered for sale'. Her appetite having been whetted, she has now ventured to target for the disposal of as much as five million bales of her surplus cotton.

Meanwhile, Mr. Benson, the US Secretary of Agriculture, goes on assuring his critics "that sales will be made in an orderly manner to avoid disrupting world market prices and impairing the traditional competitive position of friendly countries", but overseas cotton interests are not easily taken in by this, and protests have already started. Thus, strongly complaining against the US plan to sell surplus cotton at competitive prices, the Peruvian Government hit the nail on the head when it remarked recently that, "inasmuch as the American cotton is to be sold for export at prices well below the domestic market levels, they fall squarely within the scope of what is generally called 'dumping'."

When all is said and done, selling cotton in the world market at a price lower than that in the domestic market would lay open any country indulging in it to the charge of "dumping", and it is more so if it involves selling Government stocks at a loss or with an outright subsidy. In order to avoid the serious repercussions of such moves on world cotton markets, it is high time that a new world cotton programme was evolved either for holding stocks indefinitely or for reducing them only gradually; otherwise, there will be chaos in cotton not only in the US, but all over the world. One would like to know what precisely the International Cotton Advisory Committee is going to do about this.

STEEL FROM POLAND

THE GOVERNMENT OF INDIA'S active search for larger supplies of steel from the overseas market is understandable in the context of the global tight position of this strategic material. In particular India requires sizable quantities of steel from abroad in the first half of the second Plan period since the increase in domestic production promises to ease the position thereafter. As part of the overseas procure-

ment programme, the Government entered into an agreement with Poland this week for the purchase of 300,000 tons of steel to be delivered according to a phased programme till the end of 1958.

As at present agreed, there is a firm promise that India would get a quantity of 50,000 tons of steel to be delivered between April and December in the current calendar year. Efforts would be made to procure another 50,000 tons during the same period, but there is no commitment in this regard. During the next two calendar years, the annual target for deliveries fixed is 100,000 tons. In return, as part payment, India has undertaken to supply to Poland 100,000 tons of iron ore to be delivered annually during the three years 1956 to 1958 at prices which have been fixed in advance. It has now become clear that in our trade with the Communist countries the urgency has been felt to balance the two-way traffic as far as practicable. At this stage it is not possible to assess the benefit from the steel supply agreement since even the price of quantities to be supplied in the current year has not been settled. The terms attaching to the supplies during the next two years have been left for decision at appropriate stages. All that can be expected is that they will compare equally, if not favourably, with conditions prevailing in other producing countries.

The State Trading Corporation which is to come into being in the immediate future has been nominated as the agency on the Indian side to handle the trade involved in this agreement. Until then the Ministry of Commerce and Industry will carry out the functions involved. The fact that the State Trading Corporation has been selected for this work does not necessarily establish its indispensability for trade even with Communist countries. Even in deals of bulk trade like the present agreement, the choice of the Corporation as the agency for execution will have to be vindicated by efficient and economical handling.

PAINT MANUFACTURERS' GRIEVANCES

THE PRESIDENTIAL address at last Monday's annual general meeting of the Indian Paint Manufacturers' Association makes a direct and trenchant attack on Government's policy vis-a-vis this industry in several respects. It would appear that the severity of the handicaps under which the units in this industry are labouring has impelled the president, Mr. Faizullahbhai, to use strong language in ventilating the Association's grievances. The Association and the Paints Federation (whose annual session was held earlier) are bitter about the lack of response from the Government in considering their repeated representations. It is unfortunate that this should be the case. But it is to be expected that a real sense of urgency will be shown in dealing with the industry's problems, since both the organisations have expressed their misgivings about the industry being enabled to fulfil its assignment in the second Plan, if the present unhelpful official attitude persists.

The gravest problem of this industry at the present time is the attitude of the Government Test House, Alipore, Calcutta, in dealing with paint samples. Quantities which, it is claimed, would be easily acceptable to the consumers, are rejected "thoughtlessly and arbitrarily" with the result that stocks are accumulating to create a host of physical and financial problems for the factories. Lack of technical experience and of appreciation of the basic problems of the industry on the part of officials who administer the Paint Section in the Test House is blamed for this state of affairs. The Association's plea for early discussion of the technical grounds of rejection needs to be heeded without

further delay by those at higher levels, it is urged, to revive confidence in the Test House. Another important grievance relates to the administration of the excise duty now levied on an ad hoc basis. The Association takes a practical view that the excise has come to stay and all that it pleads for in the interest of its smoother enforcement is revision of the relevant rules and regulations in consultation with itself. It has also asked for movement of oils in bond to avoid the element of double taxation.

The fact that Government is the biggest single purchaser of paints is a compelling factor which prevents the industry from disregarding government orders. But here the difficulty raised by the Test Houses is a deterrent. The Chairman finds fault with the official policy of accepting the lowest bid in the tenders which results in purchase of what is described as sub-standard material. However he has not suggested any alternative policy for dealing with tenders. Absence of a policy to correlate exports of linseed oil to the requirements of the paints and also other consuming industries has created genuine difficulties of high prices. This difficulty needs to be resolved since home produced industrial raw or processed materials ought to take care of the home demand before seeking outlets in foreign markets.

INDIAN SHIPPING ENTERS TANKER TRADE

INDIAN SHIPPING made its debut in the oil tanker trade last week. The country's maiden tanker, 'Jag Jyoti', owned by the Great Eastern Shipping Company, has been chartered by the Standard Vacuum Oil Company and it has been agreed that it should be employed for the transport of the refinery's oil and oil products from Bombay to Kandla, Cochin, Madras and Calcutta. In the total trade of this variety carried along the coast, the share of 'Jag Jyoti' represents a small part. Its significance, however, lies not in the quantitative aspect of the trade but in the fact that a new phase has started in the history of Indian shipping, namely, that of carriage of wet cargo tonnage. It is now elementary knowledge that no maritime country can rest satisfied with carrying dry cargo trade. A commercial tanker fleet is an integral and very vital part of any country's merchant marine. The post-war emphasis on the construction of tanker ships only underlines its importance.

The long agitation carried on by Indian shipping companies and the pressure they brought on the Government of India to take active part in building a nucleus of a national tanker fleet has begun to bear fruit. Doubts were entertained whether a term in the Government's agreements with the oil refinery companies to the effect that only government-owned tankers will be permitted to participate in the transport of their oil trade will impede the development of the Indian tanker fleet by confining its operation exclusively to the public sector. These doubts have been finally set at rest, although responsible quarters always believed that a spirit of sympathetic understanding will be displayed by the refineries and no technical impediments will be raised. The so-called difficulty has been circumvented by the simple technique of the refinery chartering this private tanker on a commercial basis. This gesture and goodwill shown by the Standard Vacuum offers clear proof of the generosity of spirit with which economic co-operation can be practised by foreign private interests to mutual benefit of both parties. Mr. Bhiwandiwala, Chairman of the Great Eastern Shipping Company, has acknowledged Government's assistance in enabling the company to acquire the tanker. In the near future two tankers are going to be purchased by the Government, but unhappily this project of building the first phase of our tanker fleet has been proceeding at a tardy pace. The urgency to make bold and imaginative investments in more tankers cannot be overrated.

TEXTILE INDUSTRY IN MADHYA PRADESH

THE PROSPECT before the cotton textile industry in Madhya Pradesh poses the challenge of reorganisation. The main task before the units in this industry in the State is to consolidate and hold the ground rather than to think in terms of expansion. Presiding over the recent annual general meeting of the Madhya Pradesh Millowners' Association, Mr. F. P. Mehta, the Chairman, took an attitude of self-criticism in analysing the problems of the regional industry. He minced no words and asked his compeers to recognise the fact that the cotton mills in Madhya Pradesh were considerably behind not only the mills in progressive countries like Japan but also behind mills in Bombay, etc.

In a seller's market shoddy fabrics were bound to lose custom and apart from this fact there had emerged another factor which has compelled attention to better quality, texture, finish and flawless production. This factor is the restriction placed on the industry in the matter of the manufacture of dhoties and specified varieties of cloth reserved for handloom production. Many of the units in the industry in this State stand in urgent need of renovating and modernising their equipment. The present is not the time for them to think in terms of expansion of capacity. The pressing need is that of renovation and possibly of modernisation. They need to prepare carefully planned programmes of re-equipment. It is no secret that some of them suffer from the handicap of inadequate resources to carry out these programmes. But Mr. Mehta has urged them to plan their requirements on a realistic and progressive basis, in which case, he hopes, their need of help will be met.

SUBSIDIES FOR FLYING CLUBS

IN THE post-war era there has been a distinct emphasis on expanding the facilities for the training of civilian air pilots in all free countries. This emphasis has been dictated by the expediency of building a broad-based second line of defence in the air. India has been rather slow in aligning herself with this important trend and her flying clubs had a record of modest progress. It was only since 1954 when the recommendations of the Master Committee were taken up for implementation that the flying clubs were enabled to expand their training facilities for pilots. The major change brought about as a result of the Committee's report is to rationalize the basis of payment of subsidies to the flying clubs. The principle accepted since then is to relate the rate of subsidies to the hours of flying done by each club. During the last two years or so encouraging results have been registered as a consequence of this rational scheme. In place of the fixed amount of subsidy of the order of Rs. 30,000 per year per club based on a flat rate, the assistance now given ranges between Rs. 40,000 and Rs. 1 lakh, depending upon the magnitude of actual training offered.

Simultaneously with the increase in their revenue from government subsidies, an obligation has been laid upon these clubs to reduce the fee charged by them for the trainees by nearly 50 per cent of what it was before the introduction of the present scheme. There is now a proposal to ask the clubs to increase the strength of their staff on an adequate scale and also to standardize the scales of pay to the members of the staff. It is significant that between 75 and 90 per cent of the total expenditure of the clubs is met by the exchequer. The fourfold classification which is now applied to the existing twelve subsidized clubs indicates their importance in the order of flying hours done and flying facilities given. The extent to which the new policy of liberal subsidies has stimulated air-mindedness in the country can be gathered from the fact that the expenditure on subsidies during 1955-56 rose by 75 per cent above the expenditure in the preceding year to Rs. 17.5 lakhs.

COMPANY AFFAIRS

THE TITAGHUR PAPER MILLS CO., LTD.

The accounts of the Company for the half-year ended September 30, 1955, show that after providing Rs. 17,19,230 for taxation, Rs. 7,83,510 for depreciation and setting aside Rs. 2,75,000 to reserve for development rebate, Rs. 1,00,000 each to general reserve, taxation contingencies reserve and dividend equalisation reserve, and making a provision of Rs. 10,00,000 for the New Mill Project, there remains a sum of Rs. 12,28,619. Adding the balance brought forward from the previous half-year of Rs. 39,160, the total sum available for distribution amounts to Rs. 13,17,779. The Directors have proposed the following dividends: On 1st preference shares at 8 per cent per annum, free of income-tax, absorbing Rs. 46,000; on 2nd preference shares at 4½ per cent per annum, free of income-tax, absorbing Rs. 33,750; on preferred ordinary shares at 10 per cent per annum free of income-tax absorbing Rs. 21,875, and on 'A' and 'B' ordinary shares at 12 annas per share, also free of income-tax, absorbing Rs. 8,40,353. A bonus of 4 annas per share of 'A' and 'B' ordinary shares, free of income-tax, takes away another Rs. 2,80,117, leaving a balance of Rs. 95,684 to be carried forward. The credit balances of the subsidiary companies—the Commercial Products Ltd., and the Paper Agencies Ltd.,—have been carried forward.

Production during the half-year was less than that of the previous period which has been ascribed to the lighter average substances of orders made. Renovation and development programmes are progressing satisfactorily. The Tomlinson Soda Recovery Unit which had earlier been commissioned, has shown improvement in operation. Work is expected to be started, in connection with the projected new mill in Orissa, as soon as land is handed over to the Company by the State Government.

THE BENGAL PAPER MILL CO., LTD.

The profit of the Company, for the half-year ended December 31, 1955, amounts to Rs. 6,59,703, after providing for debenture interest, depreciation and taxation. With the sum of Rs. 1,73,122, brought forward, the amount totals Rs. 8,32,825. The Directors have transferred to general reserve Rs. 1,00,000, leaving a balance available for distribution of Rs. 7,32,825. A 7 per cent per annum dividend, free of income-tax, on cumulative preference shares takes away Rs. 7,000 and a similar dividend on 'A' cumulative preference shares absorbs Rs. 14,000. Dividend on 'B' cumulative redeemable preference shares, at 6 per cent per annum, subject to deduction of Indian income-tax, absorbs Rs. 60,000. On ordinary shares, the dividend of 20 per cent per annum, free of tax, amounts to Rs. 4,50,000, which leaves a balance Rs. 2,01,825 to be carried forward.

This reflects satisfactory results which can be attributed to higher production during the half-year under report, and to better chemical recovery, which is expected further to improve. The production during the half-year was 6,944 tons which shows a substantial increase over 6,613 tons of the previous half-year.

The Company has drafted plans for nearly doubling its production capacity which it hopes to implement in the future. The extension of the production capacity is expected to be financed mainly from the Company's own resources.

MARTIN BURN LTD.

The working results for the year ended September 30, 1955, after making provision of Rs. 3,48,584 for a new female hospital block at Burnpur Works of the Indian Iron and Steel Co., show a profit of Rs. 71,18,708. A sum of Rs. 2,52,479 has been brought forward making

available a total sum of Rs. 73,71,187. Taxation, capital redemption reserve fund and general reserve take away Rs. 37,75,000, Rs. 2,00,000 and Rs. 5,50,000 respectively leaving Rs. 23,46,187 available for disposal. Interim dividends for the half-years ended March 31, and September 30, 1955, amount to Rs. 1,50,000. A dividend of Rs. 1-8 per ordinary share absorbs Rs. 20,62,960 and a cash bonus of 5 annas per share absorbs further Rs. 4,29,781, both being free of income-tax. The balance of Rs. 2,03,456 is carried forward.

During the year ended September 30, 1954, holders of Rs. 13,14,500 Convertible Notes converted their holdings into ordinary shares which resulted in an increase of 65,725 ordinary shares and a reduction of Rs. 13,14,500 in the Convertible Notes outstanding.

HOWRAH MILLS CO., LTD.

The working results of the Company for the half-year ended September 30, 1955, are depressing. Before providing for depreciation, the loss amounts to Rs. 96,741. The balance brought forward, amounting to Rs. 92,110, reduces this to Rs. 4,631. The Directors have transferred Rs. 2 lakhs each from the dividend equalisation reserve and jute stock reserve, and another Rs. 4 lakhs from general reserve making available a sum of Rs. 7,95,369. Out of this, Rs. 4,25,000 have been deducted for depreciation and Rs. 1,02,968 for sales tax contingencies, leaving a balance of Rs. 2,67,401. A dividend for the half-year of Rs. 3-8 per share on preference and 'A' preference shares each absorbs Rs. 30,625 and Rs. 61,250 respectively. Another sum of Rs. 1,64,062 is to be paid as dividend at 4 annas per ordinary share and the balance of Rs. 11,463 is carried forward to the next account.

Heavy floods caused considerable shortage of suitable raw material during July to September, and the trading conditions in general were difficult. During the same period, values of finished goods also fell low and all these conditions combined to produce the disappointing results. The devaluation of the Pakistani rupee in July, 1955, did not result in any reduction in the price in terms of Indian rupees of Pakistan jute as they decided to maintain their minimum export prices at the same sterling level as previously. Also they increased the export duty on raw jute, with a few exceptions, by Re. 1 per maund.

In compliance with the Working Time Agreement of the Indian Jute Mills Association, the Mills worked 48 hours per week with 12½ per cent looms sealed. It was later decided further to unseal a total of 7½ per cent looms because of reduction in stocks of hessian and sacking. Also demand throughout the consuming markets was expected to increase.

THE STANDARD JUTE CO., LTD.

In line with some other jute companies, the Standard also suffered a loss of Rs. 2,95,112, after providing Rs. 2,43,207 for depreciation, during the half-year ended September 30, 1955. The loss is reduced by Rs. 46,767 (Rs. 19,821 brought forward from the previous half-year and Rs. 26,946 transferred from general reserve) to Rs. 2,48,345. Taking into account the amount transferred to provision for contingencies (Rs. 26,946) the total loss stands at Rs. 2,75,291, which has been proposed to be carried forward.

With the removal of all export duties by the Government of India from August last year, Indian jute mills were put in a stronger position to meet competition from other countries. The devaluation of the Pakistani rupee was not of much benefit as said above.

As in the case of other companies, the percentage of looms sealed has been reduced from 12½ per cent previously to 5 per cent now.

COMMODITY NEWS AND NOTES

WOOL AUCTIONS IN INDIA

The Development Council for the Woollen Industry decided recently at its meeting in Bombay that auctions of Indian wools should be held in India. The Council believed that any difficulties caused to foreign buyers who normally rely upon the Liverpool (UK) auctions for their supplies would be overcome. The Council believed that it could itself undertake the export promotion of wool manufactures, of which carpets is the main item. But it made no decisions as to whether exporters should have the facilities of Export Credits Guarantee Scheme as an insurance against export risks. Similarly it thought that a more detailed study should be made before deciding whether or not to recommend that manufactures be permitted to operate over the London Wool Tops Futures Market. A sub-Committee has been formed to make necessary recommendations.

FUTURES TRADING IN JUTE

The Forward Markets Commission is understood to have approved a proposal for the setting up of a futures market in jute and an official announcement is expected to be made by the end of May. The market modelled on the pattern of the East India Cotton Association will be located in Calcutta. The proposal for the organisation of the market has been under study of the Commission since September last when the Indian Jute Mills' Association Sub-Committee handed over to the Commission a draft of the articles of the Association and bye-laws of the proposed market. The Commission is said to have recommended certain amendments to the Constitution of the market, particularly those relating to the appointment of directors, and providing for safeguards against undue speculation. First proposals for constitution of a futures market for jute are more than a year old. Early last year the Jute Inquiry Commission recommended constitution of such a market.

RAW WOOL EXPORT

It is reported that quotas of export of raw wool this season will be lower ranging between 15 million lb. and 20 million lb. as the indigenous industry consumes more of white wool which is predominantly produced during the country. However, the Government of India's decision to allow exports of raw wool during the April-September period is welcomed by the shippers. The foreign demand is stated to be moderate, and out of the quota allowed for export in the previous season hardly 50 per cent would have been shipped because of price disparity. Business with the USA is reported at 87 cents per lb., for Bewar White and at 92 cents for Bikaner White. Transactions with the continent are reported at around 66d. per lb. for average yellow quality. It is felt that exports might improve if domestic prices move down by at least two annas per lb. Meanwhile, the movement of raw wool into the terminal markets is reported to be in full swing and mills are evincing keen interest in white wool.

MORE EXPORT OF PEPPER

Judged by the trend of exports of pepper and ginger during the first five months of the 1955-56 season, it appears that India will be able to hold her own in the export market. The output of pepper will be at a new peak of 25,000 tons and shipments during the season are likely to exceed 14,000 tons. The estimates for the ginger crop are yet to be made, but exports during the past four months are 90 per cent higher than those in the corresponding period of last year.

NO CHANGE IN TEA EXPORT DUTY

The Government of India have issued a notification fixing the price of tea, for the purpose of determining the export duty at Rs. 2-13-4 per lb. as against Rs. 2-11-4 per lb. in force from March 1, 1956. There is no change in the existing rate of duty of six annas per lb.

FREE WORLD COTTON EXPORTS

The International Cotton Advisory Committee has predicted an almost certain reduction in aggregate "free" world cotton exports this season following the proclamation of a new United States cotton export policy. The American Agriculture Department has announced it would offer for sale at competitive bidding, beginning on August 1, a minimum of five bales of surplus cotton. Sale prices for this cotton were expected to be lower than previous fixed selling prices of the Department. The Committee consists of representatives of 33 cotton producing and consuming countries.

EXPORT OF ONIONS AND CHILLIES

The Government of India have decided to extend up to the end of April 1956, the validity period of shipment of onions and chillies quotas issued to exporters in terms of previous notification, says a recent notification issued by the Joint Chief Controller of Exports, Bombay.

ARGENTINA MAIZE ESTIMATE

In Argentina, according to preliminary Commercial estimates the area under maize for the 1955-56 crop season is placed at 3.00 million hectares and the production may possibly total 4.7 million metric tons. This compares with 3.00 million hectares planted in the 1954-55 season, when 2.4 million hectares were harvested, yielding 2.55 million tons. In the 1953-54 season the total were 3.31 million hectares, 2.47 million hectares and 4.45 million tons respectively. Home requirements total around 2.50 million tons, so that there should be at least 2.00 million tons available for export, if the present estimate is realized.

COTTON FUTURES

It is reported that the terms of the forward cotton contract in Bombay will soon undergo a fresh change in view of the possibility of new markets being opened at Akola and Indore next season and in the light of the experience and technical difficulties which the Forward Markets Commission had to face in the current season. The proposed changes, it is stated, might enable the Commission to be more vigilant about speculative business in the market. The contemplated changes relate to sworn surveyors, delivery months, election of directors and maintenance accounts by traders.

BAISAKHI LAC CROP ESTIMATE

According to preliminary reports issued by the Indian Lac Cess Committee, the Baisakhi Lac Crop in India for 1956 is expected to be 7,51,000 maunds, as against the previous year's final estimate of 8,13,000 maunds. The normal yield for this crop based on the average of 10 years proceeding 1955 is 7,10,000 maunds.

The final estimate of the Aghari Kusmi Lac crop for 1955 is put at 61,000 maunds, as was estimated at the time of the issue of the preliminary Aghani (Kusmi) report.

THE SOORAH JUTE MILLS CO., LIMITED

NOTICE is hereby given that the 119th Ordinary General Meeting of the Shareholders of the Company will be held at 8, Royal Exchange Place, Calcutta at 2-30 P.M. on Wednesday the 9th May, 1956 for the following purposes:

- (1) To receive and consider the report of the Directors and to pass the audited accounts for the year ended 31st December, 1955.
- (2) To declare dividends on Ordinary and Preference Shares.
- (3) To elect Directors in place of those retiring by rotation. Sri G. P. Birla, an associate of the Managing Agents, retires by rotation but being eligible offers himself for re-election. As he has been acting as a Director of the Company since 1945, it is desirable to avail of his valuable advice by retaining him as a Director of the Company. Hence special notice is hereby given to pass with or without modification the following special resolution:

"RESOLVED that Sri G. P. Birla, an associate of the Managing Agents under the Companies Act 1956 be appointed as a Director of the Company who is liable to retire by rotation under the provisions of the Articles of Association of the Company."

- (4) To appoint Auditors and fix their remuneration. Messrs. Lovelock & Lewes have intimated their intention not to be reappointed as Auditors of the Company in view of the fact that the Account books of the Company are now being maintained in Hindi. A shareholder of the Company has given notice of his intention to propose the name of Messrs. Singhi & Co., Chartered Accountants of 1-B, Old Post Office Street, Calcutta, for appointment as Auditors of the Company. A copy of such notice has been sent to the retiring Auditors. A special notice is hereby given to this effect.

- (5) As special business to pass with or without modification the following resolution which will be proposed as special resolution:

"THAT Article 112 of the Articles of Association of the Company be deleted and the following be substituted therefor: '112—The Directors will not be required to hold any qualification shares.'"

- (6) To transact any other business which may be brought before the meeting with the permission of the Chairman.

The Share Transfer Books of the Company will remain closed from 30th April, 1956 to 9th May, 1956 (both days inclusive).

By Order of the Board,

HINDUSTAN INVESTMENT CORPORATION LTD.,

Managing Agents.

CALCUTTA,

Dated 29th March, 1956.

In particular to Mr. Kamalmani A. Dikshit, Pandit Kedarnani A. Dikshit & Mrs. Bidya Devi A. Dikshit, Mr. Kasam Ahmad Vaiz, Mr. Narendra Shumshere J. B. Rana and Mr. Prakashmani A. Dikshit.

Note: (1) The Directors have recommended dividends on Preference shares @ 7 per cent (free of income-tax) and on Ordinary Shares @ Rs. 1-8- per share (free of income-tax).

If dividends on shares as recommended by the Directors are declared at the meeting, The DIVIDENDS WILL BE PAYABLE ONLY TO THE REGISTERED SHAREHOLDERS, whose names are on the Company's Register on 9th May, 1956. No application need be sent for dividends, as relative Dividend Warrants will be posted to such shareholders within 3 months from the date of declaration.

The Shareholders are advised to notify any change of address.

- (2) A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.

- (3) Explanatory statement in regard to special business to be transacted at the meeting.

It is desired to amend the Articles of Association of the Company by deleting the existing Article 112 requiring the Directors (other than ex-officio Directors) to hold 100 Ordinary Shares in the Company as qualification shares; and by substituting a new Article providing that the Directors will not be required to hold any qualification shares. The Articles of Association of the Company may be inspected at the Company's office at 8, Royal Exchange Place, Calcutta during business hours.

THE EASTERN ECONOMIST

(Subscription Rates)

		Payable in advance	
		India	Foreign
		Rs.	Rs.
Annual	.. .. .	50	66
Half-yearly	.. .. .	25	33

Copies delivered by air in Bombay, Calcutta and Madras at an extra cost of Rs. 9/- per year.

Foreign air rates on application. Offices in New York, London and Tokyo.

The Manager,
THE EASTERN ECONOMIST LTD.,

52, Queensway
NEW DELHI

Ask for Jute Goods:-

HUKUMCHAND JUTEMILLS.
LIMITED.
Estd:-1919

Mills at HAZINAGAR 24-Parganas.
Rly. Stn.-NAIHATI (Eastern Rly.) West Bengal.

Manufacturers of

**HIGH CLASS HESSIAN,
SACKING, CANVAS,
TWINE, ETC., ETC.**

Mg Agents;

RAMDUTT RAMKISSENDASS

9, BRABOURNE ROAD, CALCUTTA-1

**TELEPHONE N^{os}
22-3195 (3 Lines)**

**TELEGRAM
"JUTIFICIO" Cal.**

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

		Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
		Food Articles	Indus. Raw Matris.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48	..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49	..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50	..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51	..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52	..	398.6	591.9	374.9	401.5	721.6	434.6	..	..	..	..
1952-53	..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54	..	381.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.6
1954-55	..	339.8	436.2	350.3	377.3	612.4	377.4	90.5	100.7	88.4	113.0
May 1955	..	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9
June .. c	..	281.8*	390.4	329.7*	370.0	567.4*	342.5*	90.8	100.6	87.5	113.2
July .. c	..	309.7*	408.1*	329.6	370.9*	562.6*	355.6*	90.9	100.7	87.8	117.9
August .. c	..	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.8	122.8
September .. c	..	313.0	396.1	324.8*	368.8	556.3	353.2	90.9	100.7	87.2	122.8
October .. c	..	315.7	403.7*	329.8	371.2	559.3	357.2*	91.0	100.7	87.2	124.5
November .. c	..	326.5	418.9*	338.1	373.3	543.3*	365.0*	91.0	101.0	87.7	129.9
December .. c	..	323.7*	438.3	346.6	373.0	544.2	368.4	91.0	101.0	87.7	130.6
January 1956	..	333.4*	454.2*	353.5*	375.2	540.0*	376.0*	91.0	101.0	87.3	125.7
February .. c	..	335.3	464.0	355.8	375.4	529.1	378.3	91.3	101.1	86.7	121.9
Week Ending 23-2 1956	..	343.0	462.4	357.2	375.3	527.4	380.9	91.3	101.0	85.9	120.1
3-3-1956	..	343.1*	462.7*	361.3	375.4	528.5*	381.8*	90.9	101.1	85.7	120.2
10-3 1956	..	349.8	473.3	365.8	376.2	511.1	382.7	90.8	101.1	85.9	121.1
17-3-1956	..	354.0	474.6	369.5	375.3	512.9	388.3	90.9	101.1	85.9	122.4
24-3-1956	..	362.9	485.4	374.8	374.0	494.3	392.8	90.9	101.1	85.8	123.6

* Average of weeks.

* Revised

† Economic Adviser's Series.

†† Reserve Bank Series.

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS (August 1939=100)

Period	Bombay		Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934=100				Nagpur	Jubbulpur†				
1939 (Aug-Dec.)	103	—	—	—	105	104	—	106	—	—	—
1948	283	303	243	132	339	471	372	146	309	168	136
1949	292	307	248	132	348	478	377	151	323	164	138
1950	298	313	257	132	349	434	372	153	325	165	145
1951	314	330	261	142	370	451	391	168	334	167	160
1952	321	337	250	143	351	441	380	150	330	151	154
1953	346	363	275	140	349	453	387	151	351	147	156
1954	342	359	244	138	327	408	373	139	341	148	140
1955	322	338	218	120	323	371	364	133	321	134	135
1955 June	317	333	211	123	317	347	359	131	311	131	129
July	324	340	224	129	325	371	364	136	316	134	134
August	325	341	229	134	329	375	367	137	318	136	134
September	317	333	224	133	327	373	367	133	322	138	137
October	315	331	225	134	334	385	369	134	323	139	134
November	314	330	229	136	339	392	369	138	327	144	135
December	312	332	230	140	329	393	375	143	334	148	141
1956 January	—	334	—	139	—	404	—	—	334	—	—
February	—	337	—	137	—	394	—	—	—	—	—
March	—	—	—	—	—	398	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	7-4-1956			31-3-1956			24-3-1956			17-3-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	105- 8	103- 2	104- 1	106- 7	104-15	105- 9	107- 1	104- 2	105-13	105- 4	101- 5	103- 6
Silver (per 100 fine tolas)	181-13	177- 9	179- 4	183-13	181- 0	182- 1	183- 1	179- 5	181-12	179- 0	175-11	177-12

RESERVE BANK OF INDIA ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b + c)	(b + c) as Percentage of (a)	Rupce Coin	Rupce Securities	Total Assets
1938-39*	182,36	28,28	210,64	44,42	66,95	111,37	52.91	67,11	32,16	210,64
1947-48*	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.53	32,36	62,84	1,274,95
1948-49*	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62*	1,253,86
	(5,58)	(—)	(5,58)					(90)		(5,58)
1949-50*	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51*	1,163,21	17,19	1,180,40	40,02	624,70	664,72	56.31	57,21	488,47	1,180,40
1951-52*	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53*	1,114,84	27,87	1,142,72	40,02	564,40	604,42	52.89	80,22	458,08	1,142,72
1953-54*	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.86	92,83	430,11	1,156,97
1954-55*	1,197,05	22,98	1,219,17	40,02	648,90	688,91	56.47	102,25	428,61	1,360,17
Average of Fridays										
August 1955	1,299,00	26,50	1,325,50	40,02	633,29	673,29	50.79	108,24	543,69	1,325,50
September	1,290,78	23,49	1,314,27	40,02	668,82	708,84	53.93	110,51	494,93	1,314,27
October	1,303,25	10,97	1,314,22	40,02	632,07	672,08	51.09	110,95	531,18	1,314,22
November	1,327,06	14,27	1,341,33	40,02	642,08	682,09	50.85	109,38	549,84	1,341,32
December	1,350,04	10,13	1,360,17	40,02	662,98	703,00	50.95	108,56	548,61	1,360,17
January 1956	1,384,06	16,67	1,400,73	40,02	679,49	719,52	51.37	106,52	574,60	1,400,73
February	1,402,42	9,14	1,411,56	40,02	663,40	703,43	49.83	104,90	603,24	1,411,56
March	1,446,41	11,13	1,457,54	40,02	676,87	716,89	49.20	103,18	637,47	1,457,54
Week Ending										
2-3-1956	1,418,66	10,73	1,429,38	40,02	682,16	722,18	50.52	103,98	603,23	1,429,38
9-3-1956	1,444,09	8,87	1,452,96	40,02	697,16	737,18	50.74	102,56	613,23	1,452,96
16-3-1956	1,448,86	14,42	1,463,27	40,02	672,32	712,34	48.68	102,93	648,01	1,463,27
23-3-1956	1,453,78	9,84	1,463,62	40,02	676,29	716,31	48.94	103,28	644,04	1,463,62
30-3-1956	1,466,64	11,77	1,478,41	40,02	656,42	696,44	47.11	103,16	678,82	1,478,41

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS*	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	11,90	..	16,19	75	31,84	1,28	43,12	28,38	1,53	4,21	1,72	2	6,36	90
1947-48*	366,79	16,93	102,47	34,21	520,40	14,55	544,96	47,24	2,62	406,95	1,57	21	81,53	4,85
1948-49*	222,17	6,62	80,83	56,52	365,72	15,33	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
	(14,33)	(3,04)									(1)			
1949-50*	141,19	23,12	67,00	64,39	295,69	15,76	321,45	24,12	4,30	280,91	3,35	8,39	960,54	4,34
1950-51*	148,60	17,71	62,22	62,29	290,82	18,14	318,97	17,31	3,04	107,70	2,37	6,77	76,72	5,06
1951-52*	181,30	15,95	58,68	69,22	325,15	18,62	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53*	136,40	7,79	52,89	61,93	259,02	23,69	292,71	28,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54*	103,44	23,40	46,52	57,46	232,80	23,91	266,72	23,22	9,46	123,31	1,78	19,84	81,58	7,51
1954-55*	89,13	20,60	55,20	36,29	201,28	23,62	234,90	23,24	6,10	87,53	1,14	26,55	80,52	9,82
Average of Fridays														
June 1955	55,64	12,33	50,02	21,89	139,88	43,80	194,44	18,10	12,78	63,67	1,00	28,61	39,55	29,98
July	78,93	17,83	50,62	19,03	166,40	32,13	206,52	29,47	9,53	69,84	88	32,44	58,34	6,02
August	87,33	20,66	51,35	20,28	179,12	30,62	219,74	26,64	9,90	86,25	1,92	25,04	62,18	7,74
September	60,36	18,28	55,51	16,91	151,06	21,26	182,32	23,63	13,68	81,57	1,02	28,64	52,13	11,65
October	50,15	23,39	61,12	15,97	150,64	25,92	186,76	11,10	9,30	72,93	76	20,52	50,24	12,17
November	54,93	14,81	58,52	15,46	143,57	29,71	183,43	14,40	7,37	80,45	2,22	24,17	50,09	12,21
December	51,13	8,44	57,88	15,97	136,01	34,76	181,17	10,25	8,11	63,93	3,97	31,67	50,49	12,76
January 1956	53,56	12,51	59,80	17,49	142,53	48,77	193,81	16,82	9,33	56,74	2,62	43,77	51,13	13,21
February	61,12	13,65	56,38	16,85	147,00	59,59	206,59	9,27	3,50	72,81	3,41	53,41	49,71	14,40
March	67,51	37,22	49,25	16,93	159,51	59,25	220,30	11,26	9,63	65,31	1,60	73,88	39,44	17,33
Week Ending														
2-3-1956	59,56	18,03	49,35	16,81	143,75	55,99	199,74	10,82	4,08	53,93	2,89	63,29	47,42	17,32
9-3-1956	54,31	10,55	47,41	16,88	129,15	57,77	186,92	9,01	10,02	40,62	4,37	68,25	37,62	17,04
16-3-1956	55,64	46,95	46,54	17,04	166,18	60,48	226,66	14,56	10,11	70,72	34	76,26	37,54	17,12
23-3-1956	52,69	48,82	49,72	17,25	168,18	61,26	229,43	9,99	11,19	71,54	20	81,67	37,42	17,42
30-3-1956	67,34	62,03	53,24	16,68	199,30	59,46	258,77	11,92	12,23	89,72	—	79,94	47,19	17,77

Note: Figures in brackets relate to Pakistan. *Includes Rs. 5 crores each on account of capital paid-up and Reserve Fund. *Average of Fridays.
†Includes cash and short term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5 + 6) as percentage of (4)	Advances	Bills Discounted	(8 + 9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2 + 3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39*	123,81	103,30	227,11	6,38	15,88	9.80	111,34	460	51.05	..
1947-48*	706,65	313,89	1,050,54	39,92	100,81	13.40	427,54	16,82	42.30	..
1948-49	674,56	303,88	978,44	37,51	76,63	11.67	424,85	16,44	45.10	..
1949-50	597,79	272,59	870,38	34,47	65,85	11.53	426,74	15,35	50.79	..
1950-51	599,13	278,45	877,59	34,68	60,78	10.88	447,03	11,87	52.29	..
1951-52	593,73	290,82	884,55	37,33	57,29	10.70	523,59	22,81	63.06	303,48
1952-53	546,23	309,26	855,49	33,33	51,82	9.95	461,64	38,47	60.48	306,34
1953-54	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	59.56	321,29
1954-55	559,62	351,86	911,55	32,66	53,91	9.50	488,39	84,66	62.08	339,74
Average of Fridays										
September 1955	604,02	413,69	1,017,87	33,22	54,14	8.58	498,19	106,18†	61.15	381,86
October	612,82	422,95	1,035,77	33,98	59,64	9.94	484,87	105,51†	59.24	390,42
November	612,61	423,85	1,036,46	35,22	57,05	8.90	491,93	105,00†	59.79	393,43
December	613,68	422,24	1,035,92	38,93	58,38	9.39	503,02	107,60†	61.04	390,56
January 1956	638,02	411,70	1,049,72	36,96	56,92	8.94	533,75	130,85†	64.21	382,55
February	631,25	415,19	1,046,45	35,18	54,67	8.59	551,12	138,15†	66.56	378,04
March	622,44	415,29	1,037,72	34,83	48,43	8.10	589,55	144,16†	71.41	364,86
Week Ending										
2-3-1956	623,12	418,70	1,041,82	34,78	54,47	8.57	564,46	147,41†	68.99	373,54
9-3-1956	612,28	416,77	1,029,04	33,91	48,09	7.97	578,02	143,13†	70.51	364,74
16-3-1956	615,60	413,73	1,029,33	35,26	47,03	8.00	580,98	144,05†	71.88	363,84
23-3-1956	625,20	412,92	1,038,12	34,63	46,42	7.81	601,89	147,84†	72.63	362,13
30-3-1956	635,99	414,32	1,050,31	35,57	46,12	8.06	612,43	148,37†	73.05	360,07

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY IN INDIA

(Lakhs of rupees.)

Last Friday	Money supply	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Total deposits with Reserve Bank (excluding those of central Govt. & Banks)	
(1)	(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1952-53	1,784,55	1,199,25	585,30	548,95	36,35	-44,30
1953-54	1,858,57	1,229,43	627,14	549,83	77,30	+72,02
1954-55	1,980,90	1,311,77	669,13	599,18	69,97	+124,33
January 1955	1,877,73	1,245,91	631,82	601,04	30,78	+28,84
February	1,915,34	1,272,35	643,00	610,04	32,96	+37,61
March	1,980,90	1,311,77	669,13	599,18	69,97	+65,56
April	2,003,14	1,342,90	660,23	614,26	45,98	+22,24
May	1,989,50	1,348,41	641,09	616,96	24,12	-13,64
June	1,988,42	1,343,74	644,67	623,43	21,24	-

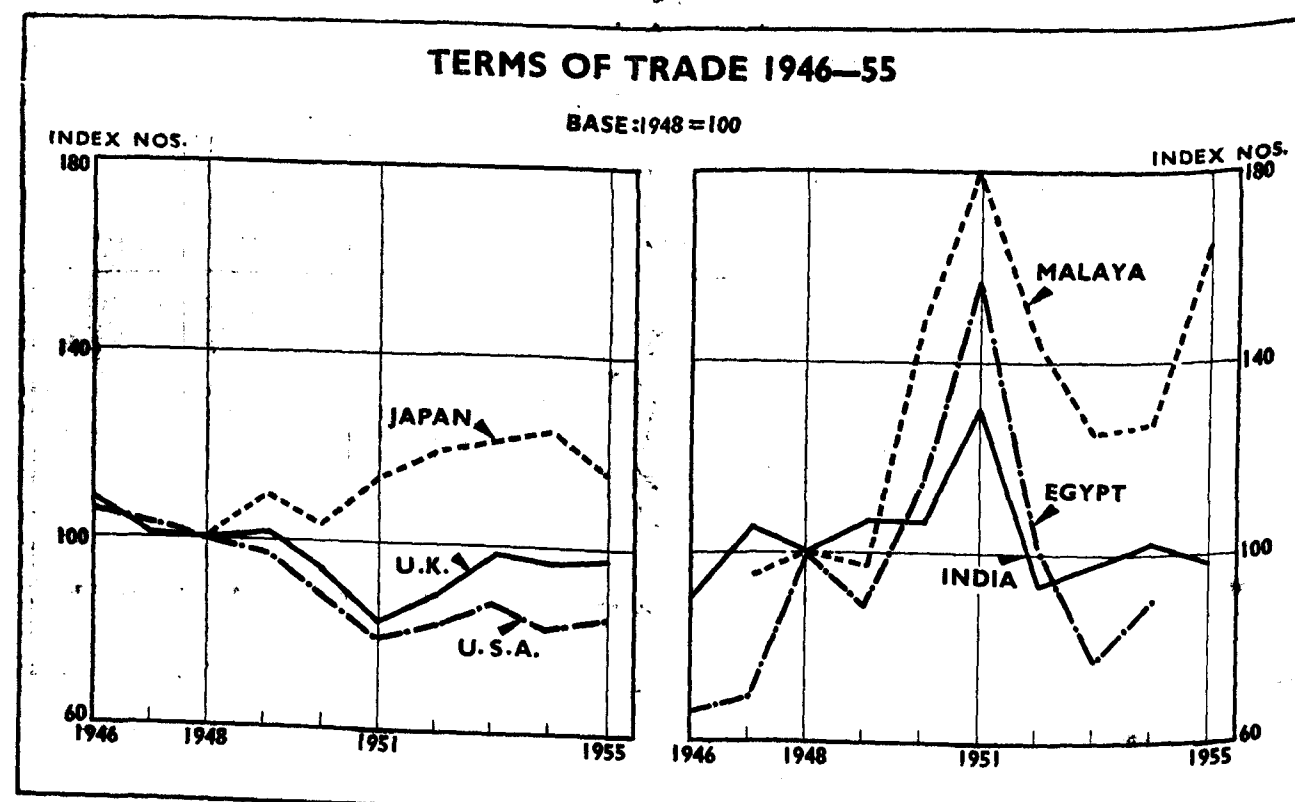
INDICES OF QUANTUM, VALUE AND TERMS OF TRADE 1946-55

(1948=100)

Country	1946	1947	1949	1950	1951	1952	1953	1954	1955
INDIA									
Quantum									
Imports	85	100	103	93	118	88	86	94	99
Exports	114	114	109	123	98	109	109	115	127
Value									
Imports	74	85	97	109	130	129	114	116	111
Exports	67	89	103	115	169	119	111	117	110
Terms	91	105	106	106	130	92	97	101	99
MALAYA									
Quantum									
Imports	..	85	101	137	181	161	139	148	177
Exports	..	89	98	127	134	114	105	115	125
Value									
Imports	..	90	101	115	144	129	120	109	104
Exports	..	86	98	173	258	187	150	140	174
Terms	..	96	97	150	179	145	125	128	167
EGYPT									
Quantum									
Imports	55	62	104	122	122	91	77	72	..
Exports	77	94	108	107	79	73	95	84	..
Value									
Imports	87	96	100	101	115	137	132	128	..
Exports	68	65	89	115	182	138	101	115	..
Terms	67	68	89	114	158	101	77	90	..
JAPAN									
Quantum									
Imports	..	..	157	184	271	304	418	430	531
Exports	..	..	215	395	419	419	471	617	560
Value									
Imports	..	..	84	77	110	98	85	82	81
Exports	..	..	92	80	125	117	104	102	97
Terms	..	..	110	104	114	119	122	124	120
UNITED KINGDOM									
Quantum									
Imports	71	95	108	108	123	111	122	124	138
Exports	113	79	103	128	129	122	126	133	141
Value									
Imports	74	90	101	115	163	149	132	131	135
Exports	80	91	102	108	126	132	129	126	130
Terms	108	101	101	94	82	89	98	96	96
U.S.A.									
Quantum									
Imports	92	88	98	119	117	123	128	120	132
Exports	96	129	102	90	115	117	123	119	119
Value									
Imports	74	91	95	103	130	123	117	120	119
Exports	79	94	93	90	103	102	102	100	102
Terms	107	103	98	87	79	83	87	83	86

Note: Terms of Trade are defined here as the ratio of Export prices to Import prices.

Source: U. N. Year Book of International Trade.

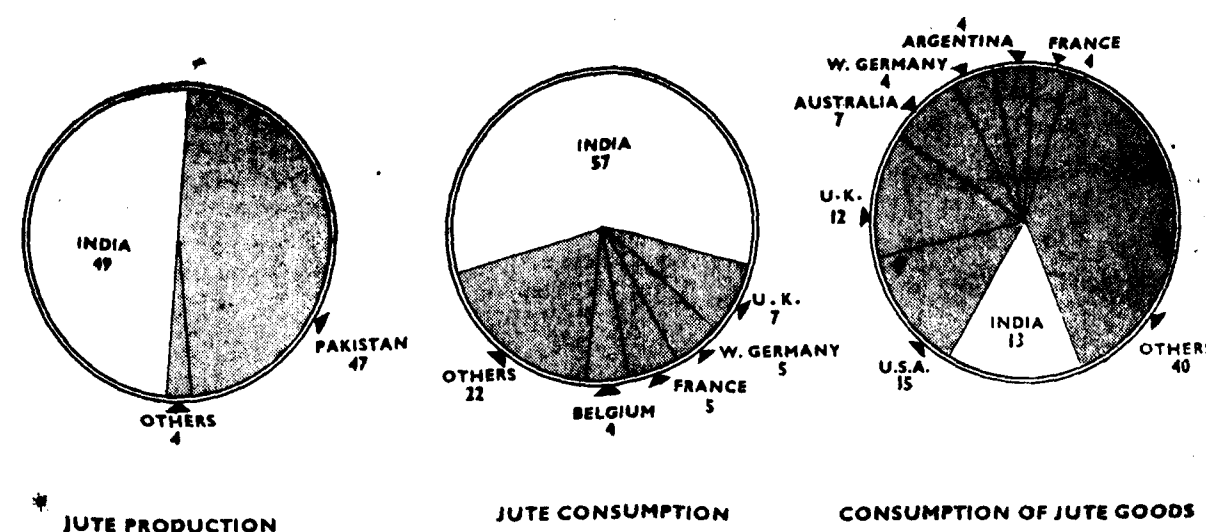

 RELATIVE IMPORTANCE OF COUNTRIES PRODUCING AND
 MANUFACTURING JUTE AND USING JUTE GOODS
 IN THE YEAR 1954

Country	Jute production			Country	Jute consumption			Country	Consumption of jute goods		
	1948-50 avg.	1951-53 avg.	1954		1948-50 avg.	1951-53 avg.	1954		1948-50 avg.	1951-53 avg.	1954
WORLD TOTAL	1.54	1.82	1.48	WORLD TOTAL	1.62	1.79	1.92	WORLD TOTAL	1.69	1.77	1.85
Pakistan	64	53	47	India	65	57	57	United States	19	18	15
India	33	45	49	United Kingdom	6	7	7	India	15	14	13
Others	*2	*2	*3	Germany, W.	3	4	5	United Kingdom	10	10	12
				France	4	5	5	Australia	6	5	7
				Belgium	3	4	4	Germany, W.	2	3	4
				Pakistan	1	1	3	Argentina	5	4	4
				United States	4	5	3	France	4	4	4
				Italy	2	3	3	Italy	1	2	3
				Spain	2	2	2	Pakistan	1	2	2
				Brazil	2	2	2	Cuba	3	3	2
				Japan	1	1	1	Belgium	1	1	2
				Others	7	9	8	Brazil	2	2	2
								Spain	2	2	2
								Canada	2	2	2
								U. of S. Africa	1	1	1
								Burma	1	2	1
								Indonesia	1	1	1
								Netherlands	1	1	1
								Egypt	2	1	1
								Japan	1	2	1
								Thailand	1	1	1
								New Zealand	1	1	1
								Philippines	1	1	1
								Others	17	17	16

* Including allied fibers, e.g., mesta.

 RELATIVE IMPORTANCE OF COUNTRIES
 PRODUCING AND MANUFACTURING JUTE
 AND USING JUTE GOODS
 IN THE YEAR 1954

PERCENTAGES OF THE WORLD TOTAL



Source: F.A.O. Bulletin, March, 1956.

RESERVE BANK OF INDIA

APPLICATIONS are invited for the following posts in the various departments of the Reserve Bank of India:

(A) POSTS AND SCALES OF PAY:

1. Research Officers, Department of Research & Statistics Rs. 375-55-815 E.B. 55-925-60-1045.

The appointments to the above posts will be made on a temporary basis in the first instance but are likely to be made permanent.

Note: Candidates possessing exceptionally good qualifications and experience may be given a higher starting salary in the prescribed scale.

2. Probationary Assistants Rs. 250-25-450 E.B. 25-650

Note: Promising Probationary Assistants will be eligible for promotion as officers in the scale of Rs. 375-55-815 E.B. 55-925-60-1045.

(B) ADDITIONS TO PAY

1. Local pay: 10% of pay with a minimum of Rs. 10/- per mensem rounded upto next higher complete rupee to the staff working at Bombay, Calcutta, Madras, Delhi, Kanpur and Ahmedabad.

2. House rent allowance

Research Officers: 15% of pay with a minimum of Rs. 60/- and a maximum of Rs. 300/- per mensem.

Probationary Assistants: 10% of pay with a maximum of Rs. 50/- per mensem.

3. Dearness Allowance: At prescribed rates.

Research Officers: The present rate is 16-2/3% of pay with a maximum of Rs. 125/- per mensem.

Probationary Assistants: Rs. 65/- per mensem for pay (including local pay) upto Rs. 300/- per mensem.

(The rate of Dearness Allowance is subject to revision from time to time).

(C) AGE LIMIT AS ON 1st May, 1956:

Research Officers: Candidates should not ordinarily be over 30 years of age. The age limit may be extended upto 35 years in the case of candidates with exceptional qualifications and/or research experience of value to the Bank.

Probationary Assistant: Candidates should not ordinarily be over 24 years of age.

Age limit may be extended but not beyond 30 years in the case of candidates possessing special qualifications and experience of value to the Bank and also in the case of

- (i) candidates with approved war service.
- (ii) ex-employees of Banking Institutions whose services have had to be terminated for reasons of economy or as consequence of the closure of unremunerative branches or as a result of the Banks going into liquidation.
- (iii) personnel retrenched from Government offices after at least one year's service, applying through the Employment Exchange, and
- (iv) candidates belonging to the Scheduled Castes or Scheduled Tribes.

(D) QUALIFICATIONS:

1. Research Officers, Department of Research & Statistics

First or high second class Master's degree in Economics, or Commerce or Statistics/Mathematics of an Indian or foreign University or a Doctorate degree in Economics or Statistics of an Indian or foreign University and a period of research work in one or more of the subjects, viz., (a) monetary economics, (b) banking theory and practice, (c) international finance, and (d) sampling theory and econometrics etc.; a period of practical banking training will be an additional qualification in respect of applicants with specialisation in (a) and (b).

(2) Probationary Assistants:

Applicants should have had a brilliant academic record and must possess a first or very high second class Master's degree or a first class Bachelor's degree of a recognised Indian or foreign University in Economics, Commerce, Banking, Accountancy, or Law as a special subject of study.

THE BOARD WILL INSIST ON A VERY HIGH STANDARD OF SUITABILITY IN MAKING SELECTIONS FOR THE ABOVE POSTS AND ONLY CANDIDATES WHO POSSESS GOOD ACADEMIC QUALIFICATIONS AND ADEQUATE EXPERIENCE OF THE TYPE SPECIFIED ARE ADVISED TO APPLY.

Candidates who wish to apply for more than one category of posts must submit separate applications accompanied by separate application fees.

The selected candidates for the posts of Research Officers will ordinarily be on probation for a period of 3 years which may be reduced or extended at the Bank's discretion. Candidates selected for the Probationary Assistants' posts will also be on probation for a period of 3 years during which they will be liable to be discharged at one month's notice or pay in lieu thereof. Candidates selected for the Research Officers' posts will ordinarily be stationed in Bombay but those selected for the Probationary Assistants' posts must be prepared to serve in any office of the Bank in India.

Applications should be in a special form to be obtained from any office of the Reserve Bank. All the applications should be accompanied by copies of two testimonials (originals should not be sent; the Bank does NOT accept responsibility for returning the originals if sent through oversight) and forwarded to the Secretary, Central Recruitment Board, Reserve Bank of India, Central Office, Post Box No. 406, Bombay No. 1 so as to reach him on or before 1st May, 1956. Candidates already in service must submit their applications through their employers. Candidates belonging to Scheduled Castes or Scheduled Tribes should mention this fact prominently on their applications.

Applicants for the above posts must remit application fees of Rs. 7-8-0 per application by Postal Order, Cheque or Bank Draft on a SCHEDULED BANK PAYABLE AT BOMBAY along with the application. The application fee is in no case refundable. Bonafide refugee candidates who are NOT IN EMPLOYMENT applying through any of the Government Employment Exchanges are exempted from payment of application fees while in the case of Scheduled Castes/Scheduled Tribes candidates the fee will be reduced to 1/4th.

Appointments will be subject to candidates being found medically fit for service in the Bank. If any candidate desires to have his application acknowledged he should enclose a stamped self-addressed envelope or a post-card. Apart from those who may be specially called, interviews will not be granted to candidates nor will the Bank enter into any correspondence with them.

Canvassing in any form will be regarded a disqualification.

The

Eastern Economist

VOL. XXVI. NO. 16.

NEW DELHI: APRIL 20, 1956.

ONE RUPEE

CONTENTS

	Page		Page
Leading Articles:		Special Article:	
REVISION OF INDUSTRIAL POLICY ..	625	THE DEMAND FOR HOUSING ..	643
STEEL IN 1966 ..	627		
ADVANCES AND SPECULATIVE ACTIVITY ..	628	The Business World:	
THE WEEK'S NOTES ..	631	Collaboration with Small Industries ..	647
Reorganising the Services; The Resources Gap and Railways; The Public Sector; A "Thrifty Budget" for Britain; The Middle Eastern Cauldron; The Fall of Lysenko.		Authors' Rights ..	647
A WINDOW ON THE WORLD:		BUSINESS NOTES ..	651
Odyseus on "The Economic Value of Living in Hopes" ..	635	Implications of Textile Policy; Not so Clear and Precise; Expansion of Electricity Undertakings; Coal for Ahmedabad Mills; Heavy Industry in Madras State.	
A Delhi Diary ..	637	COMMODITY NEWS AND NOTES ..	654
WORLDGRAM AND NEWS IN BRIEF ..	639	COMPANY AFFAIRS ..	655
		CURRENT STATISTICS ..	657

Revision of Industrial Policy

LAST week, the Planning Commission was engaged in a discussion of the Government's Industrial Policy during the period of the second Five-Year Plan. The revision of the Government's Industrial Policy Resolution of 1948 has lately been under consideration and though the final shape of the revised policy will not be known for some time there is no mystery about the general character of the draft that is likely to emerge from these discussions. This is clear from the circumstances in which the revision has been undertaken now. In the normal course, a revision was not due at least until 1958 when the ten-year period of immunity against nationalisation of certain industries would expire. As recently as the end of 1954, the Policy Resolution of 1948 was subjected to close scrutiny by

Government and Parliament and the upshot of it was that there was no case for substantial modification of that policy. The idea of revision is an afterthought which has occurred during the preparation of the second Five-Year Plan and the refusal to wait for two years more for undertaking revision in the normal course is some indication of the importance attached to declarations of various kinds as part of planning.

This is, perhaps, no more than an example of the tendency to regard statements and definitions on paper to be almost equivalent to the great achievements to be recorded under the Plan. If the Policy Resolution were a material instrument for the implementation of planning, the need for

revision cannot be doubted. But there has never been any complaint that the terms of the Policy Resolution were acting as hindrances to policy decisions that the Government chooses to make. The broad and elastic terms of the 1948 Resolution have been fully vindicated by the experience of the last eight years during which our industrial production has progressed at a satisfactory rate. All or any of the steps taken from time to time for expansion of the industrial sector have been easy to execute even though they differed sometimes from the declared terms of policy. This is nothing more than an affirmation of the ultimate supremacy of Parliament, and of a Government responsible to it, to take such action as it deems necessary in the national interest. It would hardly be true to say that the Government has conformed strictly to the letter of the old Resolution; by the same token, it is hardly likely that it would adhere to every word of the new one. The undue preoccupation with verbal forms of a declaration of industrial policy seems, therefore, to betray a tendency to regard pompous drafting as a substitute for planning. The Draft Plan that is due to come forth shortly may provide more evidence of this trait among our planners.

Quite certainly the new draft Resolution is not going to be the means of delivering the goods. At best it may reflect in different tones the current debate over the virtues of the two sectors, in which prominent spokesmen have taken part in Parliament in the last few days. It is disappointing to find them engaged in controversies over trivialities at this stage. Mr. G. D. Somani moved a resolution before the Lok Sabha which was pointlessly provocative and was liable to be disposed of easily. There may be a tendency to calumniate the private sector by exaggeration but a retort in similar terms can hardly do much good. Assuming that the public sector's deficiencies are fully exposed by an enquiry on the lines demanded, it could not have established that the private sector can, and the public sector cannot, establish new units in steel or heavy machinery or fertilizers. Whichever sector undertook these tasks would have been faced with a problem of management and of technical personnel. Nor, on the other hand, was it necessary to descend, as the Finance Minister did, to the low polemical level of a defence lawyer abusing the plaintiff's attorney. The private sector's deficiencies have not been unknown, and some of them it shares in common with the public sector. But no amount of criticism can burke the fact that the rise in industrial production under the first Five-Year Plan, which in the last resort made a success of planning by providing the cushion against inflationary financing, was essentially not an achievement of the public sector.

It is idle to indulge in this controversy at this stage when the motto for the next five years should be 'all hands to the pump'. The discussions in the last few days have helped to clarify the magnitude of the task that faces the country. With a Plan involving an outlay of over Rs. 5,000 crores in the public sector alone and the resources definitely in sight being less than half, the absolute necessity of deficit financing at a minimum of Rs. 1,200 crores to implement the Plan has been clear. Considering that deficit financing to the extent of a third of that level under the first Plan has only been barely matched by an increase in

production of nearly 25 per cent, the job of production that has now to be undertaken should make any responsible person pause with humility rather than rush to reckless and extravagant polemics. However, all that we now see is a debate on purely ideological lines as though a clinching of issues on this plane would solve our foremost problem.

The proposed revision of the Industrial Policy Resolution is not dissimilar to this larger debate: it is a naive preoccupation with a change from tweedledum to tweedledee. The terms of the new declaration may deliberately be made bold and forthright, but in the last resort the courses of action which can give the results that are required may not be found there. The economy has to advance on all fronts and it can do no good to any section of it if, for example, the production of coal falls short because of categorical declarations. The main lesson of the last few years is that there is nothing to hinder the Government from taking any type of action required to advance national policies, whether in the direction of liberalisation or of tightening up the restrictions of a preconceived policy. But the emphasis that has been placed on making a change at this juncture, a change which to all appearances is in the direction of severity, can only impair confidence here and abroad without being offset by significant advantages.

Our objectives cannot be advanced by deliberately creating the impression of being severely ideological, when in fact serious doubts have occurred in the minds of our chief policy-makers about the implications of the doctrines that are being preached. The Prime Minister's reference to the Ambar Charkha this week has shown an extremely realistic view of its scope. If the Ambar Charkha is to be regarded as a revolution in the manufacture of Khadi, and no more, the other implications are easy to understand. The Ambar Charkha cannot obviously become a handy instrument for providing cloth on the scale that will be needed to counter inflationary trends in the next five years and the question that every Charkha enthusiast must ask himself is whether he would prefer to save the Charkha or the Plan. Similarly, if much of the categorising of industries into one or other of the various groups in the Industrial Policy Resolution has no relevance to the problem of finding the investment, the managers or the transport capacity required for production, the task would be in vain.

The problem is not now to erect a framework for action; it has been there all along, and has been gradually evolving. It is action itself that is needed and a Government "sicklied over with the pale cast of thought", can no longer advance its objectives by this interminable process of discussion. The available apparatus of Government and all the other instruments of implementation outside it have now to be set in motion. The challenge of the Plan, it is now perfectly clear, lies in the creation of a climate which would make deficit financing an effective means of achievement. Mr. T. T. Krishnamachari's speech in the Lok Sabha on Monday reflected to some extent the grave nature of the problem of saving the Plan and if that attitude spreads more widely among other policy-makers the distractions of ideology can still be minimised and a sober approach made possible.

Steel in 1966

IS the target of 18 million tons of ingot steel in 1966 pitched excessively high to raise serious doubts about the feasibility of its achievement? During the debate on the Iron and Steel Ministry's demands for grants there was genuine appreciation of the confidence and determination with which the new Ministry is handling its onerous tasks. It is because of the manner in which it is facing up to its obligations in a novel field that a feeling of strong scepticism, which would otherwise have been created about the impracticability of stepping up the target of production at a rapid rate, was not in evidence. From a target of 7 million tons of ingots in 1961 which is now an accepted fact to possibly 18 million tons in the third Plan is a bold stride but not too far a cry. The greater the stride to be made, the sooner it is necessary to raise a cry.

Even before steel expansion in the second Plan could get into real stride, Mr. T. T. Krishnamachari has found it expedient to underline the restrictive effects of short-term planning for this strategic material. His anxiety to rivet attention on the target for the third Plan arose out of no other consideration. There was some sharp criticism of the initial tendency to rest content with a capacity of half a million tons for the Rourkela plant, but this is obviously wisdom gained after the event. When the agreement with Krupp-Demag was signed in 1953 there was ample satisfaction that a provision was made to raise production capacity from half a million tons to one million tons. In that climate when it was difficult to procure foreign collaboration in setting up a steel plant this reaction was perhaps inescapable. But the crucial period of planning in steel which followed immediately between 1953 and 1955 transformed the whole outlook. It was a coincidence, of course, that the Government found itself in a position in which it could negotiate with three different countries for three steel plants. This was an advantage available to this country by virtue of its policy to refrain from leaning heavily on any foreign source for economic co-operation.

The bargaining strength which India could use in these negotiations could not fail to bring its own benefits. If it is difficult to say at this stage that the maximum of the bargaining advantage has been derived by this country, there is hardly any room to dispute that, considered from a broad angle, the three deals are expected to prove sound transactions. The procurement of the services of the International Construction Company as engineering consultants to the Ministry of Iron and Steel has removed the handicap of the absence of expert technical judgment and has given substantial proof that the terms as regards cost and production processes could be subjected to the necessary searching scrutiny. Any apprehensions about extravagance in commitments would surely be unwarranted. Even in this first planned phase of steel expansion, India has secured a benefit of diversity in the modes of technical and executive operations. Rourkela promises to bring economies in capital and operating costs as well as a higher rate of production by reason of the adoption of the Linz-Donawitz oxygen-blowing process. The Bhilai and Durgapur plants will be run by the conventional open-hearth process. In the first agreement with the

German firm, the freedom to invite global tenders for plant and equipment appeared to ensure the advantage of low terms. But the initial experience of the tender for blast furnaces has now confirmed the shortcomings of this method with its potentiality to delay and hold up progress of erection work. Experience has now confirmed that package deals entered into with the USSR Government and the British consortium for the plants at Bhilai and Durgapur would prove to be the acceptable pattern.

In retrospect, the initiative taken in planning in a bold and imaginative way for the development of the steel industry and fixing the target of six million tons for the second Plan has proved to be prudent. Any hesitation and procrastination then would ultimately have proved to be highly detrimental not only to the expansion of the steel industry but also to the plans for the development of the engineering industries as well as of a wide range of projects dependent upon a continuous supply of steel. As it now transpires, manufacturers of steel plants and equipment have their order books full to an extent which would have made it difficult for this country to obtain deliveries in time, unless the necessary dollar exchange could have been found to place orders with American firms. It is difficult to foresee when this situation in respect of the supply of steel plants would ease and precisely this should weigh as a vital consideration in planning on a long-term basis. The basic need to plan well in advance for this strategic industry has now brought about a shift in the approach to its future. The emphasis on planning for ten years, if not more, ought to be appreciated against this background. At the end of the second Five-Year Plan the capacity of the two major plants in the private sector will be raised to 3 million tons of ingots to which will be added 3 million tons from the three plants from the public sector. The decision to expand the capacity of Rourkela by 250,000 tons and of Bhilai and Durgapur by 300,000 tons each is now a settled fact. The cumulative effect will be to raise total capacity to about 7 million tons.

The difficulties in bringing the three plants to fruition have never been minimised and there is full awareness that the problem posed by the absolute need to train an adequate number of technical personnel cannot fail to call for strenuous efforts. For the three plants in the public sector alone, the requirements have been estimated at 1,200 engineers of high calibre and skilled technicians whose number may go up to 10,000. Recruitment of such large numbers is to be carried out while there exist the parallel demands of the steel plants in the private sector as well as of diverse large-scale development projects. Training in the construction of plants must necessarily be obtained abroad for which the agreements for the plants make appropriate provisions. Other categories of technical personnel will have to be absorbed for training for the major part at home. The expansion envisaged in the third Plan will exert similar pressures, but certainly on a diminishing scale. Training facilities in the steel works and technical institutions which would be broad-based can be relied upon to ease the situation.

The larger capacity needed in the light of the ten-year target is not to be sought exclusively from additional plants. The three plants in the

public sector have been designed to allow a maximum expansion of 2.5 million tons of ingots in each case. The entire layout and the provision of water, electricity supply and every other essential ancillary service have been planned on the basis of expansion of capacity to the maximum limit. During the third Plan additional capacity to be derived from new plants will not exceed 7.5

million tons. A rate of expansion of this order involving the installation of three plants with an outlay of over Rs. 300 crores, need not be considered high. It indicates the upper limit of planning and any shortfall would mean production of finished steel a little below 15 million tons in which case the total requirements of steel will have to look to larger supplies from overseas.

Advances and Speculative Activity

ONE fact which should be quite clear from the Reserve Bank's approach to the question of regulation of bank advances, if it should be necessary, is that the Reserve Bank has not been stampeded into any course of hasty action. For the past some weeks grave concern has been expressed about the inflationary impact of the policies that are known to be followed in the second Five-Year Plan. But certainly no scare has been created at all about inflation rearing its head right now. It is recognised on all hands that deficit financing is an appropriate technique, used with proper vigilance, to finance development in an underdeveloped country. There is, therefore, a reasonable awareness that the economy should be prepared to take a dose of inflation properly phased over the period of the current Plan and the armoury of corrective measures should be planned so far as is possible.

The Reserve Bank's action in calling upon the scheduled banks to submit more frequent returns of their advances on a fortnightly basis, cannot be interpreted as a step towards a squeeze. There have been some disquieting signs of some degree of inflation. The main indicators pointing to this trend are a rise of 12 per cent in prices in March last as compared to a year ago and the rise in money supply of the order of Rs. 150 crores, together with an expansion of outstanding treasury bills by Rs. 100 crores. The impressive increase in money supply contains an important ingredient of a rise in the volume of bank deposits. Deposits in turn have induced a positive increase in the level of bank advances. Between the end of last year and last month the ratio of bank advances to bank deposits has jumped from 61.0 per cent to 71.4 per cent—an increase in this ratio of more than 10 per cent. In the busy season an upward trend in the volume of advances is inescapable and normally it is a healthy indicator of the rising course of economic activity, though it cannot be regarded as normal. The obvious inference which follows is that it may contain an element of speculative pressures. A scrutiny of the various types of bank advances by individual categories perhaps may provide the precise basis required to locate the sources of speculative activity.

Assuming that there is an unusual situation in which there has been an expansion of bank credit, it cannot follow that there is unhealthy speculation of the kind that can be wholly liquidated. Speculation may take different forms, and invariably the rule is that it cannot occur except in a situation in which there is an expectation of price increases in particular commodities. In view of the high level of production in agriculture and industry there may be no absolute shortage, but the development expenditure under the first Plan has obviously created a relative scarcity because of increasing demand. It is pos-

sible that trade is either inclined to hold on to existing stocks or to get hold of more in the expectation of a further rise in prices; and the rise in prices would itself encourage the building up of stocks even outside the trade by primary producers or consumers, thereby accentuating the shortage. The restriction of bank credit cannot be the effective instrument of control to prevent such build-up; the consumer only acts on a legitimate impulse to lay by stocks for his future requirements. Nor can it be said that preventing dealers from keeping stocks of commodities in accordance with their business expectations would be a desirable or a suitable type of intervention. There is an inherent difficulty in these cases in drawing the line between legitimate business activity and the so-called speculative aspect of the same activity. A step which affects one inevitably reacts on the other and it is doubtful whether the submission of returns by banks would pinpoint those sectors in which effective intervention through credit control is possible.

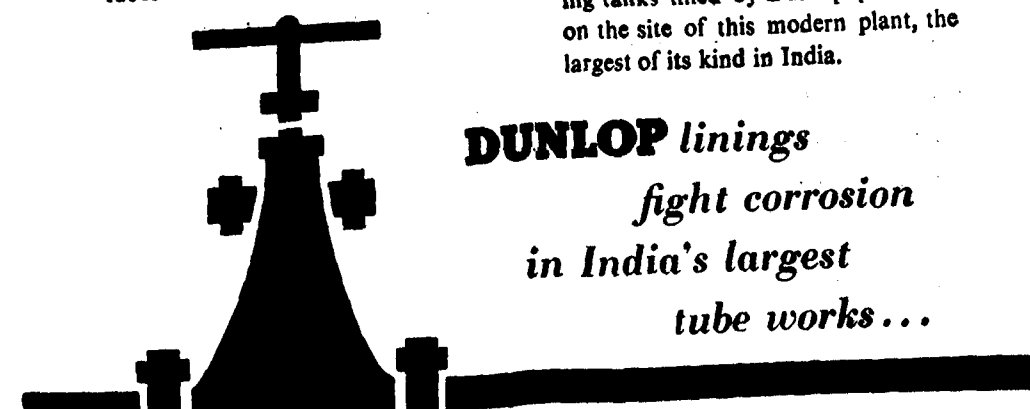
The remedy in such situations is obviously not to set in motion a double-edged policy of restriction but to use the only means of augmenting the supplies of commodities which give rise to speculative activity. That, and no other, can be the genuine solution at this stage. In earlier years, the knowledge that aggregate supply is either equal to or in excess of the demand was a deterring factor, but now the stability of the level of agricultural production and low levels of imports together with the circumstance that the prospect for an increase in consumer goods output in industry is limited by a confusing ideological debate, have all acted to provide a direct fillip for keeping larger stocks. It is necessary that the error should be clearly located in the quarter where it persists. Those who would seek in a stricter credit policy a solution to this difficulty are barking up the wrong tree.

In a period of rising production alongside of deficit financing it is inevitable that there should be short-period cycles which indicate either a temporarily recessionary trend or a short-lived inflationary phase—until production catches up. The greatest amount of vigilance is necessary in dealing with either of these phases with a view to seeing that they are not accentuated to a degree which would affect the working of the Plan. But vigilance should not be interpreted as an excuse for Government to oscillate between deflationary and inflationary policies by exaggerating their importance. Recently Government spokesmen played up the decline in agricultural prices and the need for a policy of price supports; and now, a contrary policy is being advocated in accents which indicate undue apprehension. The real picture of the Indian economy which can get stabilised through steps to increase production and supplies, is being lost sight of in this process of exaggeration.



The Indian Tube Company's works at Jamshedpur bid fair to supply India's growing requirements of steel tubes to the full.

Dunlop anti-corrosion linings have been applied to essential equipment: pipe work lined at Dunlop Sahaganj and Sulphuric acid storage and pickling tanks lined by Dunlop personnel on the site of this modern plant, the largest of its kind in India.



DUNLOP linings
fight corrosion
in India's largest
tube works...

DUNLOP

Industrial Rubber Products Department

If chemical corrosion or abrasion is a problem in your plant as well, write today for specialised technical advice...

DX-476

A MEETING OF MINDS



AT HIRAKUD

CANADIAN KNOW-HOW will help Indian industry at Hirakud, Orissa, to build a new 10,000 ton aluminium smelter—India's biggest.

Canadian technicians will guide Indian engineers in the design and construction of the smelter.

Canadian and Indian capital will share equally in a proposed issue of new capital by Indian Aluminium Company to help finance the cost of the project.

At Hirakud, Canadians and Indians will work together to promote India's progress in a vital industry.

**Indian Aluminium
Company Limited**

A Canadian-Indian Enterprise

IA 752

THE WEEK'S NOTES

REORGANISING THE SERVICES

THE HOME MINISTER'S announcement in the Lok Sabha the other day that the Government of India proposed to set up a committee to go into the question of reorganising the administrative and other services in the country has not come a moment too late. There had been growing indications that the large number of difficulties which were coming to light in implementing Plan schemes might cause an administrative breakdown or at least bring developmental activities to a confused stop. There were also signs that the administrative difficulties inherent in the Plan would be taken advantage of to throw the blame for shortcomings in implementation on the administrative set-up. The present decision to appoint a committee to suggest some basis of reorganisation should put authors of the Plan on the spot, provided the committee completes its work expeditiously and its proposals are implemented without delay. It is to be hoped that there will be no undue delay in the setting up of the committee and in the completion of its work, as the success of the second Plan may well hinge on its suggestions. For it is largely true that the type of officers now required is different from that of pre-1947 years, and though most of the incumbents have adjusted themselves to the changed conditions in a remarkable manner, administrators of the quality and in the number required are not forthcoming. The committee to be set up will also have to consider the institution of a separate Industrial Management Service, in which the qualities required will be vastly different from what are needed in the civil service.

The Home Minister's reply to the debate on his Ministry's demands also contained many other announcements. Nobody will grudge the increase of Rs. 5 in basic pay which he has granted to third division clerks, but there is bound to be questioning of the decision to grant P.T.Os. (privilege tickets) to Government employees. It is to be considered whether the additional financial burden, which may be anything between Rs. 50 lakhs and Rs. 1 crore, can be undertaken at this juncture, when the country is being asked to make the maximum sacrifices for financing the Plan; the grant of P.T.Os. may also place additional strain on the railway system in the form of greater overcrowding in trains.

THE RESOURCES GAP AND RAILWAYS

THE FINANCE MINISTER'S frank approach to the many gaps in the Draft Outline of the second Plan in his address to the University Planning Forums, should lead to a more realistic appraisal of planning possibilities and needs of the next five years. He has openly admitted what had hitherto been fairly well known—that the size of the Plan will have to go up by another Rs. 400 crores to meet probable additional defence expenditure, subsidy for the Ambar Charkha and additional allotment for coal and oil, apart from atomic energy development which has still to be provided for. But this has added to the gap on the resources side, since even as it is there is an unprovided-for deficit of Rs. 400 crores in financing the present proposed outlay. If foreign aid can be estimated at only Rs. 400 crores, as he suggested, the gap even now stands at Rs. 800 crores, so that any addition to the size of the Plan will further widen the gap. As a likely solution to this problem, the Finance Minister hinted at the possibility of the Plan being made into a six-year one. But the implications of any such move on the pace of development, which people hitherto have been led to expect,

will be serious, and it is worth while examining whether a smaller plan confined to five years is not preferable to an over-ambitious plan, which may in fact turn out to be far below present expectations if spread over a longer period.

The Finance Minister referred to views that the allocation for railways is somewhat excessive. But the Railway Board's own view is that it is inadequate. While something may be said of the desire of each Ministry to have as much as possible for its own programme, there is a fallacy in conclusions drawn from a study of comparative investments in transport and industry made in other countries while they were in the process of development. Totalitarian planning could ignore the needs of passenger traffic and could adopt many measures to prevent cross-movement and to discourage travel; the free-for-all capitalism of the early days could also eliminate the needs of the poorest sections of society through the market mechanism. But the India of today has to provide for passenger movement too and not just for the movement of raw materials and goods. The gap in resources will have to be bridged by other means than by applying the axe to the allotment for railways. It is possible that additional taxation of Rs. 50 crores every year, which the Finance Minister hinted at, may prove unnecessary, at least in the later years, when booming production and incomes may push up the yields from existing taxes. Also, greater efforts at eliminating evasion should go some way in filling the gap.

THE PUBLIC SECTOR

THE DEBATE in the Lok Sabha on Mr. G. D. Somani's resolution for the appointment of a committee to examine the running of State undertakings was unfortunately turned into an issue of the public sector vs. the private sector, which it need not have been. The mover later made it clear that it was not his intention to oppose the principle of expansion of the public sector and that he only wanted that it should work properly. Even without this clarification, it was obvious that the wording of the resolution cast no aspersions on the public sector as it is now functioning, nor did it attempt to reopen the issue of whether the sphere of the public sector should expand. All this, however, does not mean that everything is perfectly satisfactory in State enterprises. It is no reply to this to argue, as the Finance Minister seemed to, that everything is not well with the private sector either. Undertakings in the private sector are governed by the Company Law, only recently re-enacted after a great deal of public enquiry and discussion. In any event the public sector, which is in the nature of a monopoly, is bigger than any significant section of the private sector with which it can be compared, both in its range and in its size. Public interest will also suffer to a much greater extent through mismanagement in the public sector than in the private sector.

All these facts make it obvious that the criteria for judging the two sectors cannot be the same. A committee such as the one suggested might have laid down certain basic principles on which public enterprise should be run and by which it should be judged; the general principles, it is true, are well known, but they could have borne more detailed enunciation. The Estimates and Public Accounts Committee no doubt look into the working of public projects, but their examination tends to be confined to particular aspects and is rather superficial. In the whole course of his speech, it should be noted, the Finance Minister failed to advance a single reason why a committee of enquiry

should not be set up. The private sector can certainly have no objection to face any enquiry, as indeed it has only recently, but it insists that the enquiry should cover State enterprises too. Only then can any comparison of the achievements of the two yield some meaningful conclusions.

A "THRIFT BUDGET" FOR BRITAIN

MR. HAROLD MACMILLAN has followed up the "credit squeeze" he set in motion a few weeks ago with a "thrift budget" calculated to keep down spending, particularly consumer spending, to the minimum. The tax on tobacco has been still further raised, making the price of a packet of 20 cigarettes go up by two pence to 3sh. 10d.; the tax part of this is 2sh. 11½. Bread subsidies, which have kept down prices, have been abolished, and the price of a standard loaf of bread will consequently rise by 1½d. to 10d. This and the decision to levy a tax on cider and perry (a beverage from pears) may push up the cost of living, giving rise to a spate of claims for wage increases, which may prove difficult to resist. Already there have been the usual murmurings that the cost of living is going up, and the budget measures may help to swell the chorus. But the success of the anti-inflation drive will depend on whether the Government is able to hold incomes and wages, and thereby consumer spending, at least at present levels, at a time when they are trying to rise.

Some changes in direct taxation have also been made, though their effect on the cost of living and the inflationary trends in the economy will not be directly felt. The rates of tax on undistributed and distributed profits have been increased by 1½ and 2½ per cent respectively, making the total rates 3 and 30 per cent. Allowances for children have been increased to 10sh. for the third and subsequent children compared to a uniform rate of 8sh. for all but the first child given at present. But the most important feature of the budget is the offer of cash prizes for investors purchasing £1 savings certificates in a bid to take advantage of the gambling instinct of Britons who wager millions of pounds every year on dog and horse races. The details of the scheme will be worth studying in India's Finance Ministry in the context of the need to raise as much resources as possible for financing the second Plan. In a bid to keep under stricter control investment expenditure by the nationalised railways, civil aviation and gas and electricity industries, the Chancellor has decided that for a temporary period of two years these needs will be met from the national exchequer. But whether this will in fact imply any reduction in investment expenditure appears doubtful, because the expansion of these industries to meet increasing demands cannot be held up.

THE MIDDLE EASTERN CAULDRON

THE U.N. Secretary-General's mission to the Middle East has met with some measure of success, and both Egypt and Israel have agreed to honour the armistice agreement and the cease-fire line. But, even while he was having discussions with Premier Nasser in Cairo, there were clashes on the Israeli-Egyptian border, followed by skirmishes on the Jordan frontier. How far the oral consent to respect the truce agreement will be seen in practice the next few days should demonstrate. If peace is kept it will be a triumph for the U.N. Secretary-General, but a triumph whose extent will be limited by the fact that the temporary cessation of hostilities, if it is to have any great significance, must soon be succeeded by a more permanent arrangement agreeable to all the parties. The main difficulty will

be in evolving this arrangement, a task which is all the more complicated by lack of co-operation between Britain and the U.S.

Up to now no one has ventured to put forward a permanent solution which the Big Powers will be willing to impose. That the Western Powers have proclaimed their determination to enforce the 1950 Tripartite Declaration in the present circumstances is itself a step forward, because none of them is directly in a position to intervene effectively and immediately should full-scale war break out. Mr. Hammarskjöld's trip was itself a recognition of this fact. But it is not certain that the U.N. is the proper forum where a solution can be hammered out. Communist intervention in this area in the form of arms supply to Egypt is certainly not calculated to assuage tempers, and it is unlikely that the Soviet Union will agree to any solution which does not recognise her interests in the region, both as a great Power and as a neighbour of many of the Middle Eastern States. But any solution to the Arab-Israeli problem which allows Russian entry into the Middle East is bound to be unpalatable to the West. A solution must, therefore, be sought outside the United Nations chambers if Western moves are not to come up against the Soviet veto at every turn. Mr. Dulles may be justified in wishing to put Russian intentions to the test in the U.N., but that will not help in the restoration of peace to the Middle East.

THE FALL OF LYSENKO

THE FALL of Stalin from the high pedestal which he had been occupying for nearly three decades has involved the reversion to their original levels of some of his cronies who rose to high positions by pandering to the whims and fancies of the great dictator. One such is Lysenko, whose recent removal from the post of President of the All-Union Academy of Agricultural Sciences of the USSR has been accomplished rather unobtrusively. Lysenko rose to power on the basis of a theory that characteristics acquired in the lifetime of an organism could, under certain circumstances, be made hereditary. This line of thinking pleased Stalin who held that even plants could be made to conform to Marxist thought. But experiments in putting into practice this theory have not met with any success, and the passing of Stalin has removed the one obstacle to recognising Stalin's agricultural policy, based on Lysenko's teachings, for what it was—a thorough failure. With the agricultural policy followed up to now openly discredited, Lysenko had but to make his exit. It is reported that he will, hereafter, have more time to devote to instructing farmers on the implications of his theory, and it is to be hoped that they will benefit from it and prove Lysenko right.

Lysenko's exit will cause not a little embarrassment among the "orthodox faithful" in the scientific community of the free world most of whom, with the notable exception of Prof. J. B. S. Haldane, had not found much scientific and moral scruples in accepting Lysenko's teachings in spite of proved evidence to the contrary. In Russia itself Lysenko could triumph over his academic adversaries only through the intervention of the political authorities. The reverse process now set in motion demonstrates, if any demonstration were needed, the dangers of political and governmental interference in scientific matters, and where, as in Russia, such interference meets with no criticism or opposition when it takes place, the possibility of correction is postponed until the death of the dictator and a new set of rulers take courage to rectify past errors. But the chances of the new rulers committing similar mistakes in other fields are not on that account lessened.

STATE BANK OF INDIA

Successors to the Imperial Bank

Bank with the State Bank

OUR country is planning for prosperity. This cannot be achieved unless the interests of the small depositor, the small trader and the small producer alike in towns and in the countryside receive the same consideration that is bestowed on the more affluent constituents and the larger industrial units.

You are not perhaps aware that the clientele served by the State Bank of India consist predominantly of persons of modest means and modest requirements. It is on the broad and secure foundation of their patronage that the Bank's structure has been built and will continue to rest.

The State Bank's services are many-sided and it would interest you to know that your varied plans and activities—no matter how small they be—can be made to run more smoothly with the help the Bank can offer.

Why not talk things over with your nearest bank agent, or write for information?



The State Bank's branch at Delhi, one of more than four hundred offices waiting to serve you throughout India

STATE BANK OF INDIA

Largest of the Indian Joint Stock Banks



For every hour in the air, a Clipper receives two hours of maintenance on the ground.

Every day Clippers must pass the world's toughest fitness test

Before and after each flight, a rigorous inspection is made of all operating parts. Even in flight, the state of a Clipper's* health is under constant scrutiny—through the electronic eyes of Pan Am's Engine Analyzer.

Every 11 weeks engines are taken down with critical interest. Instruments probe vital parts. From nose to tail each square inch is thoroughly inspected, every part replaced at the slightest drop from peak efficiency.

Exacting care like this is why experienced travellers will tell you, "Pan American knows how to run an airline!"

Let your Travel Agent arrange your trip—his services are free. Or call Pan American in:

Calcutta : 42, Chowringhee, Tel. 44-2651, 2652

New Delhi : Imperial Hotel, Tel. 48172, 48717

Bombay : Taj Mahal Hotel, Tel. 35304

PAA

WORLD'S MOST EXPERIENCED AIRLINE

PAN AMERICAN

* Trade-Mark, Reg. U.S. Pat. Off.

PAA 705

A Window on the World

THE ECONOMIC VALUE OF LIVING IN HOPES

By

ODYSSEUS

THE BASIC LESSON to date of the British welfare state's case history is that the rapid rise in the purchasing power of the masses, who put forth less effort or skill than before the war and yet refuse to follow the American worker's example and let tools do more of the work, coupled with subsidies to them out of middle class earnings, combine to produce chronic inflation.

The inflation, in turn, encourages expenditure up to the hilt by people anxious to avoid losses that would be caused by holding savings in a depreciating currency.

"Why worry?" asks the Socialist. "We no longer look to the individual to save for his personal profit. We expect the state to save for the benefit of all." I submit for your reflection that if the state is responsible for accumulating the capital without which change and growth is impossible, then a system of forced savings by individuals seems inescapable—for after all it is always the individual who is the source of work and the wealth of the state—the "state" is an abstraction that couldn't, and doesn't, work or save an anna. And forced savings mean the end of individual liberties, the end of the humane liberal democracy that distinguishes India from China and the USSR. This is because fear of the voter in a liberal welfare state, as the British case history shows, impels politicians to bribe their way into office by massive "investments" in new, subsidised houses, apparatus, buildings for consumer services and for the distribution and re-distribution of welfare. An economist would describe this as "saving for consumers' durable goods". It is not saving for the expansion of the economy.

Note that forced saving can take the organised form of rationing of commodities, low wages, and widespread indirect taxation. Harsh and austere, this may be "socially just". But since austerity in democracies is unpopular with electors, governments are apt to take the line of least resistance and allow inflation—the only other way of enforcing saving—to become endemic. This is cruel as well as unjust, and is disruptive of moral standards.

In Graham Hutton's now famous phrase (to be found in his unsigned article, "The Dynamic Society", in 'The Times' Literary Supplement of February 24), in the mixed economy welfare state in "like a dog in a barnyard. It cannot lay eggs and it will not let the hens do so," and he goes on to point out the grave consequences: as the standards of law, order, the value of money, and the citizens' sense of social obligation (particularly of the middle classes, the natural nursery of initiative and leadership) all decline, the hope that individuals entertain for their own personal futures in such a state also declines. The consumption of personal income up to the hilt becomes the "eat-drink-and-be-merry-for-tomorrow-we-die" habit.

ECONOMIC SIGNIFICANCE OF THE PYRAMIDS

All this is as old as the pyramids. Egypt is one of the earliest examples of a static state in which the taxes were spent not on productive tools but on unproductive, subsidised, durable consumers' goods—the pyramids. Mediaeval Europe, in which the greater part of savings were invested in castles and cathedrals, and

mediaeval India, in which they were invested in castles, temples, mosques, and Mughal tombs, were other examples of changeless, unexpanding economies. Britain, on the other hand, began to leave the Middle Ages behind when she ceased to sink savings in masonry dedicated either to feudal protection or to the propitiation of the unseen world, and diverted them into an ever-growing, broadening stream of productive investment—bigger and better methods, implements, or buildings for communications, factories, and agriculture.

Mr. Hutton sums this up by saying that history suggests that dynamic societies spring from spurts in the upbuilding of productive capital, and that stasis, paralysis, or decay, sets in with the consumption or erosion of productive capital. Put thus, his proposition seems a platitude. Alas, it is, I suggest, among those platitudes that it is dangerous to despise or ignore. For Mr. Hutton is but asserting in other words that when individuals feel free to build for their own futures, they dream, plan, live in hopes, and create the means to give reality to their dreams. Think of what the dreaming, planning, and hoping of that handful of adventurous spirits in Elizabeth I's obscure western island had achieved by 1905. In contrast, think of the fate that had overtaken India by 1905 because of the lack among the subjects of Elizabeth's contemporary, Akbar, of individuals with the freedom and means to hope and work for themselves. Elizabeth's island and Akbar's great empire started admittedly on unequal terms—heavily in India's favour as to size, manpower, and potential resources—but, as events were to show, heavily loaded in England's favour by the rewards held out there to individual enterprise.

When men are not allowed to strive for their dreams and enjoy the fruits of their strivings, either they consume all from day to day, as everyone did in India for centuries, or else they must be forced to abstain, to save, and to make and build tools for the future, as they have been forced to do in the USSR since the 1917 revolution. The Americans increase wealth by offering carrots to the donkey, the Soviets by beating it. These are two dynamic states. Static, however, are the British and the French welfare states which offer neither stick nor carrots.

Here is an ironic thought: the extraordinarily high standard of living enjoyed in Britain between 1880 and 1914 (the after-effects of which persisted in the inter-war period and linger on today) was built on the sufferings of 1820 to 1880—a period which the economic history text books hold up to execration as typical of the worst capitalist exploitation, and for which, indeed, capitalists derive (via Marx, and to be just, also via nineteenth century British Government Blue books) their evil reputation. But it is the Soviet communists who vituperate the wickedness of the capitalists, to whose liquidation and punishment they are dedicated, who have put forth the quickest, biggest economic effort, complete with the most ruthless exploitation of the masses, known to history. Mr. Hutton points out that at the combined rates of productive capital formation and population increases, the Russians should have, within the next fifteen to twenty years, as much energy and productive power as the British because the British rate of improvement is so slow. The Russians will, however, fail to catch up with the Americans

if the USA maintains its present rate of increase. "The Russians," says Mr. Hutton, "have been more Calvinistic in their Marxian predestinationism far more Victorian, more forcibly austere and Puritanically thrifty, than any British or American capitalist. They have also been more inhumane towards human sufferings."

COMPULSORY ICE CREAM

One of Mr. Hutton's most striking observations is that, on the one hand, individual personal freedom and personal liberty, on the scale known today, has prevailed for less than 3 per cent of recorded history: only within the last two centuries and only in the West. On the other hand, it is within that narrow time and area that all the great technical advances, all personal liberties have been established, and the foundations of all humanity's hopes, on both sides of the Iron Curtain, have been laid. The great inventors, initiators, applicers of material techniques, still arise in societies in which personal freedoms—including the freedom to get more than another man and to engage in profitable trade—are at their maximum: mainly in North America. The opposite forms of society in which individual choices are kept to the minimum are only the biggest copiers.

One is bound to admit that that does not in itself disprove the tacit assumption of the Soviets and of extremists of both Left and Right in the West, in Asia, and elsewhere, that the masses respond best under a tyranny. (You remember the story of the communist orator who cried: "Come the Revolution, comrades, and it will not be the rich who will eat mango ice cream—it will be all of you." To which a voice in the

crowd called out: "But I don't like mango ice cream!" Thundered the orator: "Come the Revolution, comrade, you'll dam well like mango ice cream!"). And if it is true that increased wealth can be achieved either by carrots or a stick, Mr. Hutton makes the vitally relevant reply that no human society—not even the USSR—is as dynamic in economic growth as the North American and the West German, in which individual freedoms are at their greatest, and the rate of increase in the ratio of productive capital to the workers is at its height. He notes, too, that curiously enough, contrary to generally accepted ideas, population is rising faster in North America than in Russia, India, or Japan.

Does anyone assert that all this may be all right for Europe, but in India individual savings no longer matter: the state can accumulate all the savings required for the Five-Year Plan? If so, I quote the following: "Our country's economy is expanding rapidly and with the second Five-Year Plan in sight it will gather further momentum. The need for a strong efficient banking system has never been greater than today as the nation's savings require to be pooled..." This suggestion does not come from some greedy privately owned bank anxious to make selfish profits. It is taken from an advertisement published by the State Bank of India. The advertisement goes on to announce that the State Bank is to open 400 branches throughout the country. These 400 branches will have plenty to do if the purchasing power of the rupee is kept steady and if the individual citizen is left free to plan for his own future, free to live in hopes of bettering it, free to strive to realise his hopes, free to keep the fruits of his strivings. And India will find prosperity in his prosperity.

A DELHI DIARY

DELHI has been oppressive this week and not in temperature only though temperature (alas!) has also been trying. On Thursday it rose to 106, five degrees above normal, and the weather prophets have promised no relief for some days. Almost the only consolation that has been provided in this respect is that our departure from normal at five degrees is just half the departure from normal in Allahabad which registered 111° or Hissar in the Punjab which registered 109°. In both cases the rise is ten degrees above normal. Generally, these departures from normal behaviour are attributed to areas of low pressure and high pressure and conjure up visions of isobars, strange snake-like lines, with which most of us were familiar when we were introduced to Geography (with a capital G) many years ago. On this occasion, I am told, that the heat wave is due not to any active factor but to the absence of western disturbances. In this manner neutralism can become dynamic, even in determining the prevailing temperature!

THE POT AND THE KETTLE

Temperatures in Parliament have responded to the general atmosphere. Following upon Mr. G. D. Soman's resolution for an enquiry into the public sector there were many gentlemen last week who allowed themselves an excessive display of heat. Mr. Feroz Gandhi—the 'enfant terrible' of the public sector—caused an irrelevant diversion by describing as "rubbish" a statement on the price of Sindri fertilizers. Instead of a calm debate on the inadvisability of all enquiries when the problem is to do, the old question as to which pot should call which kettle black dominated the debate. Unhappily, the Finance Minister also caught the infection and made, to my mind, an unexpectedly unfair attack on potential irregularities in the private sector. It seems a great pity that many members of the Government who should be concentrating on the implementation of the Plan should allow themselves to be distracted from their great tasks by the attractions of this political thrust and parry. Almost the only speech to sound what might be called the practical note was the reply of Mr. T. T. Krishnamachari to the Lok Sabha debate on his Ministry's demands for grants. Rarely has Parliament been given so frank a statement of weaknesses in the public sector: the comment was quickly made that the Commerce Minister's awareness of these defects showed that at least one Minister in the Cabinet was not making an election speech. Indeed, Mr. Krishnamachari said that this was the last time that he was participating in budget discussions "before this House" and this was interpreted to mean that he was not standing for re-election. It is largely because it is known that there was no political purpose behind this speech that Congress back-benchers, who would normally have resented the open criticism by a Minister of the operation of the public sector, took kindly to the Minister's observations. Mr. Krishnamachari said: "I will not commit this country, if I have any say in it, to a type of planning which, while it might seem to meet our immediate aspirations, would, in actual fact, be impossible of achievement. It does no good to flatter ourselves that we can do something more than what is actually possible."

Amongst several illustrations which were then given of unwisdom which has been shown in planning he quoted the absence of transport to receive steel imports which, in a short period from now, may be arriving at the rate of 2,000 tons per day at the port of Bombay, whereas transport there has been planned to handle only 800 tons. It is quite surprising the extent

to which there remains this absence of liaison between different sections of the public sector. Instead of meeting real problems like this which are fundamental to the implementation of the Plan, the great majority of Congressmen are quite ready to go off into a heated debate as to how large the public sector is to be and how much more it can take over from the private sector.

In part the delay in the issue of new Industrial Policy Statement which has been in the process of incubation for the last three months is responsible for the prolongation of this foolish debate as to the appropriate agency in different sections of the Plan. Had the Industrial Policy Statement issued, this might have been a closed question. Unhappily, it has not yet been settled in the Cabinet and rumour has it that the statement is in the process of redrafting after two (unfinished) Cabinet sessions. It is sincerely to be hoped that the statement will issue next week. I sometimes think that the process of applying the guillotine in legislative matters should have a counterpart in executive discussions. It is very necessary that My Lady Guillotine should be applied to the Industrial Policy Statement; and it does not matter whether it is the public or private sector which loses its head. We should soon find out where the brains are, when the head is either put to work or removed!

The difficulty in reaching decisions in the public sector does not seem to be abating, either under pressure of the spacious targets of the Plan or the Prime Minister's tremendous personal pressure to avoid delays. There are few observers in New Delhi who have not had in recent weeks one occasion or another to observe that while there is promptitude in certain respects and a greatly improved system of payments at the Delhi Treasury, there is almost everywhere an offsetting factor so that on balance it is difficult to say that things are any better. In the Ministry of Finance itself where great efforts have been made to place nationalisation of insurance on a sound administrative footing, the new pressure has been so great that practically every senior official in the Ministry has felt an overwhelming impact, such as when a big boat gets into narrow waters and throws waves which hit every craft in the area. It is difficult to say whether it is 106° in the shade or 200 per cent in the incoming trays which has slowed down the Delhi machine this week.

Administrative weaknesses are twofold. In the first place, the topmost decisions are still taken by the same pitifully small group of people, a few senior Ministers and a few senior Secretaries. Now that their work has increased appreciably, their paucity stands out more markedly than their competence, which is undoubted. At the other end in the field it is being increasingly seen that while there is some "slack" to be taken up, it is almost entirely round a few individuals whose leadership permits of wider responsibilities. I was present at a debate last week when industrialisation in India was liberally and volubly discussed; praise and blame were widely distributed to "systems", to "capital", to "housing", to "imagination" and so on and so forth. Almost nobody seemed to think that the real trouble was the absence of managers in quantity as well as in quality. May I in departing rapidly, say dogmatically that new industrialisation is almost entirely connected with the men who will do the job, meaning, in most cases getting it done. I think this is what T. T. K. had in mind in his impressive speech on not matching our aspirations with the instruments of action.

ARGUS.

THE BANK OF INDIA LIMITED.

(Established 7th September, 1906.)

CAPITAL SUBSCRIBED Rs. 5,00,00,000
CAPITAL PAID-UP " 2,50,00,000
RESERVE FUND " 3,52,00,000

Head Office:

MAHATMA GANDHI ROAD, FORT, BOMBAY.

BRANCHES IN INDIA:

AHMEDABAD	Kalbadvi	JUNAGADH
Bhadra (Main Office)	Malabar Hill	KOZHIKODE
ELLIS Bridge	CALCUTTA	MADRAS
Gandhi Road	23B Netaji Subhas	NAGPUR
Manek Chowk	Road (Main Office)	Kingsway
Station Branch	Bara Bazar	Itwari Bazar
AMRITSAR	Chowringhee	NEW DELHI
BANGALORE	Square	PALANPUR
BHUJ (Kutch)	COIMBATORE	POONA
BOMBAY	DELHI	POONA CITY
Andheri	GANDHIDHAM	RAJKOT
Bandra	(Kutch)	SHOLAPUR
Bullion Exchange	HYDERABAD	SURAT
Colaba	(Deccan)	VERAVAL
	JAMSHEDPUR	

FOREIGN BRANCHES:

LONDON—17, Moorgate, London, E.C.2.
ADEN, DAR-ES-SALAAM, JINJA, KAMPALA,
KARACHI, MOMBASA, NAIROBI, OSAKA,
SINGAPORE, TOKYO.

DIRECTORS:

SIR COWASJEE JEHANGIR, Baronet.

G.B.E., K.C.I.E. (Chairman)

Mr. AMBALAL SARABHAI.

SIR JOSEPH KAY, K.B.E.

Mr. DINSHA K. DAJI.

Mr. RAMNIWAS RAMNARAIN.

Mr. BHAGVANDAS CHUNILAL MEHTA.

Mr. KRISHNARAJ M. D. THACKERSEY.

Mr. A. D. SHROFF.

Mr. MADANMOHAN MANGALDAS

EVERY DESCRIPTION OF BANKING
BUSINESS UNDERTAKEN.

D. R. THOM, General Manager.

ASIAN RECORDER

A WEEKLY DIGEST OF ASIAN EVENTS
WITH INDEX

EXTREMELY USEFUL REFERENCE
WORK

FOR

ALL BUSINESS HOUSES, BANKS,
LIBRARIES

AND

GOVERNMENT DEPARTMENTS

GIVES

FULL DETAILS OF ALL FINANCIAL

AND

ECONOMIC DEVELOPMENTS
IN ALL ASIAN COUNTRIES

Circulation now in over 30 countries
of the world

For particulars, write to

Manager,

'ASIAN RECORDER',

10, Sikandra Road,
NEW DELHI-1.

STEWARTS AND LLOYDS OF INDIA, PRIVATE LTD.

PUBLIC SERVICES

Air, Gas, Water and Sewage Mains

POWER

Steam Mains and Pipework Installations

OIL COUNTRY GOODS

Casing, Line Pipe and Tubing

TUBEWELLS

Casing, Drive Pipes, Liners and Housing Pipes

MINING

Compressed Air, Fire Fighting and Rising Mains

SHIP'S EQUIPMENT

Derricks, Davits and Masts

POLES

Tramway, Transmission, Lighting

SPECIAL USES

Ammonia Tubes, Coils, Hydraulic Tubes

STRUCTURAL

Light Structures of Tubular Construction

MECHANICAL HANDLING

Pallets, Stillages and Trolleys of Tubular Construction

TATA/S. & L. SALES PRIVATE LIMITED

GENERAL SERVICES

Screwed and Socketed Tubes, Class "A", "B" and "C" (Galvanized and Black) to B.S. 1387, up to 6" n.b., and Pipe Fittings

POWER

Cold Drawn, Hot Finished and Electric Resistance Weld Boiler Tubes

MECHANICAL

Seamless and Electric Resistance Weld Tubes for Rollers, Conveyors and other mechanical purposes

STEEL STRIP

High Tensile Steel Box Strapping and Cold Rolled Steel Strip for manufacturing purposes

Enquiries and Orders for Screwed and Socketed Tubes and Fittings Ex-stock may be Addressed Direct to our Warehouses

Head Office:

41, CHOWRINGHEE ROAD, P.O. BOX 270,
CALCUTTA.

Telephone: 44-5224-5228 (5 Lines)

Branch Office and Warehouse:

18, FOSBERRY ROAD, SEWREE,
BOMBAY 15.

Warehouse and Works:

39, HIDE ROAD, KIDDERPORE,
CALCUTTA.

Telephone: 45-4561

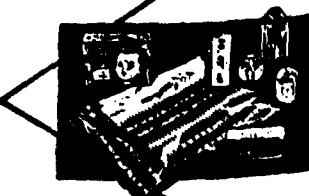
THE SALE IS IN THE BASKET...



Trayophane packaging does something for your product—something no customer can resist! It's gloss and shine instantly attracts attention... and the freshness of your goods convinces the customer that he is getting full value for his money.

...when it is wrapped in TRAYOPHANE*

Trayophane protects—no dirt, dust or shop-soiling can damage your product. Write for our free samples folder today.



AND SEE HOW CHEAP IT IS!



A sheet of Trayophane, 20" x 30" costs no more than 6 pice! Trayophane is available in rolls and sheets. You can get it soon in four eye-appealing colours!

TRAYOPHANE

*The new name for
RAYONS TRANSPARENT FILM

stops the eye
— starts the sale!



THE TRAVANCORE RAYONS LTD.

Factory: Rayonpuram P. O. Travancore - Cochin
Sales Office: United India Life Buildings, Madras - 1

TR 840

WORLDGRAM

AGRICULTURE

Sericulture Research Station in Assam: The Regional Sericulture Research Station established under a Rs. 146,000 scheme at Titabar (Upper Assam) is the second of its kind in India, the other being at Berhampur (West Bengal). The Research Station covers an area of about 100 bighas out of which 20 bighas have so far been brought under systematic plantation. Experts from the Central Silk Board and also from Japan have visited the Research Station in recent months.

India's Fruit Production: India's turnover of fruit and vegetable products was only 20,000 tons as compared to the production of 6 million tons in the USA, over 4 million in Britain, over 3 million in Canada and 158,000 tons in Australia. It is reported the Government proposes to increase the area under horticultural crops by about 300,000 acres during the second Plan. The horticultural development of many regions is taking on a newer pattern due to the various projects of irrigation likely to increase the scope of horticulture. At present the fruit preservation industry is only utilizing 12 per cent of the estimated total of fruit and vegetables.

West Bengal Premises Tenancy Bill: The President gave his assent to the West Bengal Premises Tenancy Bill, 1956, on March 29. The Bill provides mainly for the fixation of fair rents, and the circumstances under which the rents fixed may be revised; the protection of tenants from eviction, and the conditions under which such protection may be claimed; the grounds on which a landlord will be entitled to recover possession of premises; restrictions on subletting and obligation on the part of landlords to keep the premises in a proper state of repair, and to provide essential services.

Second Plan's Agricultural Programme: It is reported agricultural development under the second Five-Year Plan will be much more broad based than under the first Plan, under which the emphasis was on increased output of cereals. Under the second Plan there would be a shift in emphasis from extensive to intensive cultivation. The aim would be to increase not merely the production of cereals but of all protective foods. Agricultural branches like horticulture, animal husbandry, dairying and fisheries, would be developed. Further, unlike the first Plan, which laid stress primarily on production, the second Plan will lay considerable emphasis on marketing, co-operation and rural credit.

INDUSTRY

TISCO Production: The Tata Iron and Steel Company Ltd. reports that the total approximate production of iron and steel at the steel works at Jamshedpur during March was 103,300 tons of pig-iron and 96,200 tons of steel ingots. Saleable steel production totalled 69,900 tons, of which semis were 17,600 tons and finished steel 52,300 tons.

Aluminium Factory in Hirakud: Permission has been granted for setting up an aluminium factory at the Hirakud Dam Project with an annual capacity of 10,000 tons. It will be a joint Indian and Canadian enterprise. The minimum power load required for the plant is estimated at 25,000 k.w. and the power would be drawn from the Hirakud Project. The plant is expected to go into production by the middle of 1957.

Use of Peat in Sugar Refining: Northern Ireland is opening a new factory at the end of this month to

convert peat by a new British method into activated carbon. This is widely used in the food industry—especially in refining sugar, vegetable oils and fats, and pharmaceutical products—where it is employed as a purifying agent for the extraction of unwanted odour and flavour. The establishment of this new industry in the United Kingdom results from a peat survey carried out during the last three years. Output from the new factory will represent the first UK source of peat-based activated carbon for which a ready market is assured in the UK and the Commonwealth, whose demands for this type of activated carbon have hitherto been met by imports.

Ring Rabbeth Bobbins: A draft Indian standard specification for six-inch lift varnished and enamelled ring rabbeth bobbins for cotton mills has been prepared and circulated by the Indian Standards Institution for eliciting comments. The draft prescribes requirements for such bobbins and contains the recommended code of practice for the manufacture of ring rabbeth bobbins and a list of approved species of timber with their short descriptions. A comparative statement of test values of the various characteristics of timber, which may be used in making bobbins is also contained in the draft.

Development of Hand-Pounding of Rice Industry: According to the Minister for Production, financial assistance was sanctioned to give a subsidy for introducing improved pounding implements on the basis of 50 per cent of the cost and for a production subsidy to co-operative societies and recognised institutions at the rate of six annas per maund of paddy processed by hand-pounding methods. Stipends were given for the training of workers and loans were sanctioned for stocking paddy and for manufacturing implements. Money was also sanctioned for research and experiments. The production of hand-pounded rice in 1954-55 was 18.24 million tons as against 20.75 million tons in 1953-54.

Salt-Glazed Stoneware Pipes: The Indian Standards Institution has published an Indian standard specification for salt-glazed stoneware pipes and fittings. The specification covers straight pipes and fittings such as tapers, bends, channels, junctions and traps. The requirements specified are in respect of quality of stoneware, glazing and tests for hydraulic strength, water absorption, resistance to acids and alkali salts and dimensions of pipes and fittings. The second part deals with dimensional specifications of pipes and the different types of fittings.

TRADE

US Foreign Trade in 1955: United States foreign trade, aid and investment in other countries rose to a record total of \$21,327 million in 1955. The Commerce Department notes that expansion in both receipts and payments reflected the continued business improvement in the United States and other countries. US imports set a new high of \$11,500 million. Other countries continued for the sixth consecutive year to gain gold and dollar assets in international exchanges with the United States—the increase last year amounting to \$1,500 million.

Jute Goods Exports to Dollar Area: Increased offtake by dollar area countries was mainly responsible for the improvement in jute goods exports last year. Exports in 1955 amounted to 895,700 tons valued at Rs. 126.48 crores against 842,800 tons worth Rs. 121.36 crores in the previous year. Out of the total increase

of 52,900 tons worth Rs. 5.12 crores dollar area countries accounted for 39,000 tons valued at Rs. 4.92 crores. The total offtake by dollar area countries last year amounted to 310,900 tons worth Rs. 47.14 crores. Exports to other countries increased by 13,900 tons to 548,800 tons, but exchange earnings improved by only Rs. 20 lakhs to Rs. 79.34 crores.

Import Policy for Cycle Tyres and Tubes: The Government of India have reviewed the import policy for cycle tyres and tubes during the licensing period January-June 1956 and have decided to liberalise further this policy. Applications for import of cycle tyres and tubes from approved manufacturers/assemblers of bicycles, on the register of the Development Wing, will be considered ad hoc by the Chief Controller of Imports and Exports, New Delhi. Such actual user applications should be submitted not later than May 31, 1956. Under a Public Notice issued on January 21, 1956, it was prescribed that any additional licences granted to established importers of motor tyres, etc. would be subject to the condition that not more than 40 per cent of the face value of the licences could be utilised for the import of cycle tyres. It has now been decided that this condition regarding 40 per cent of the face value for import of cycle tyres be withdrawn. Cycle tyres can now be imported up to the full value of additional licences which inter alia will be valid for import of cycle rickshaw tyres also.

Trade Between India and New Guinea: New Guinea imported from India goods worth Rs. 7,83,081 in 1954-55 as compared to Rs. 5,47,746 in 1953-54. During the year ended June 1954, the main imports from India were spices, £A1078; misc. foodstuffs £A45; coffee and chicory, £A37; tea £A7,122; cotton piece-goods including bedding, £A32,262; coir mats and matings, £A356; jute bags and sacks, £A109,434; canvas, £A64; paints and varnishes, £A56, lamps and lampware £A1097, wooden boxes £A18, and fancy goods, £A11. Other imports were household and cooking utensils £A9, cotton wool and surgical dressings £A8 and miscellaneous chemicals £A8. There were no exports from New Guinea to India.

FINANCE

Japan's Foreign Exchange Budget: The Government set the foreign exchange budget for the first half of fiscal 1956 on March 31 at \$1,886 million, an increase of \$512 million over the like period last year. The salient features of the Budget are (1) backed by favourable foreign currency position greater imports are contemplated to check price rise and also to expand production; (2) a step was taken toward freer imports in that some of the iron-ore and lumber imports were shifted to "automatic approval" imports. Of the total of \$1,886 million, \$1,543 million is meant for goods (including reserves of \$50 million) and \$343 million for invisibles including freight charges.

UK Scientific Education Fund: The industrial fund for the advancement of scientific education in British schools is within £600,000 of its financial target of £3,500,000. The fund, inaugurated last November, was formed to assist the teaching of science in Britain's independent and direct-grant schools by the provision of capital grants towards the building, expansion, modernizing, and equipping of science laboratories. The 17 founder-member companies undertook to provide £1,900,000, and since then 73 additional companies have agreed to support the fund. The total now subscribed is £2,900,000.

Correlation of R.F.A. Loans to Rehabilitation of D.P.s.: A provision of Rs. 1.5 crores for the grant of business loans to displaced persons has been made during the ensuing financial year by the Rehabilitation Finance Administration, it is learnt. Much of this amount will be utilised for the benefit of D.P.s. from East Pakistan now resettled in West Bengal, Assam, Tripura, Manipur, Bihar and Orissa. A new policy decision is believed to have been taken to integrate the sanction of these loans with the expanding of D.P. townships and colonies in the eastern region. It has been decided that in future loans might be given to such persons as have business experience or have received training in vocations or crafts. Cases of other applicants, who do not fulfil these conditions, should also be examined on individual merits; but other things being equal, preference should be given to persons having such experience in the past.

Subsidy to Flying Clubs: The Government of India will be paying an estimated amount of Rs. 17.5 lakhs as subsidies to Flying Clubs during 1955-56 as against roughly Rs. 10 lakhs during 1954-55. For purposes of subsidies, Flying Clubs have been categorised into four classes on the basis of the number of hours of flying that they are expected to do in a year. Under the old rates, the fixed amount was Rs. 30,000 per year for each Club. Now, it is Rs. one lakh for Class I Clubs (doing about 3,500 hours of flying in a year), Rs. 75,000 for Class II Clubs (doing about 2,500 hours in a year), Rs. 60,000 for Class III Clubs (doing about 1,500 hours in a year) and Rs. 40,000 for Class IV Clubs (doing about 1,000 hours in a year). The rates of flying subvention have also been rationalised.

GENERAL

Provident Fund for Plantation Workers: The Government of India is keen on extending the Employees Provident Fund Act to tea, rubber, cardamom, coffee and pepper plantations employing more than 50 persons, as the result of a survey of such plantations conducted by the Central Provident Fund Commissioner. The Union Labour Ministry has circulated copies of the Assam Tea Plantations Provident Fund scheme among the concerned interests with a view to eliciting opinion. According to the survey there are 1,121 tea estates in India, 71 rubber plantations, 9 cardamom estates, 247 coffee estates (situated in Coorg, Madras and Mysore States) and one pepper plantation (in Travancore-Cochin) employing more than 50 persons.

Freight Earnings in Overseas Trade: Freight and passage earnings of Indian shipping companies engaged in the overseas trades showed an upward trend in 1954-55 with Rs. 10.47 crores as against Rs. 8.59 crores in 1953-54. There were 33 Indian-owned ships of about 225,000 gross tons employed in the various overseas trades by the end of 1955. Five ships, totalling 25,000 gross tons, were added by the Indian shipping companies in 1955-56 to the India-UK-Continental cargo service. The India-UK-Continental Conference has accepted the claims of Indian shipping companies for full membership with unrestricted rights; and two Indian lines, the Scindias and the India Steamships, propose to employ 18 ships each in the trade in the course of the next five years.

Aid to India: The amount of aid to India authorised under the United Nations Technical Assistance Programme for the year ending December 31, 1955, was \$1,809,094. It was given in the form of: 1) services of 21 experts; 2) equipment ancillary to the services of these experts; and 3) training facilities for 83 persons.

NEWS IN BRIEF

FOREIGN

A new one-year trade pact has been signed between Japan and Pakistan. Japanese exports under the pact will include textiles, iron and steel, other metals, capital goods and machinery, chemicals and dyes.

During the first two months of 1956 more wool was consumed, more tops produced, and more worsted yarns delivered in England than in the same period of 1955.

Plans for all-round increased production and for expansion of overseas markets have been outlined by the New Zealand Government.

The bilateral clearing account between Japan and Brazil will be abolished at the end of June, according to the Japanese Ministry of Trade. A three months notice has been served by Brazil for closing the account, which Japan has acknowledged.

World consumption of tin metal during January was estimated at 12,900 tons, against 12,400 in December, 1955, and 118,00 a year previously. The UK used some 1,881 tons compared with 1,689 tons in December, whereas US consumption was unchanged at 5,000 tons.

A Bill to regulate the operations of investment trusts—of which there are three in Germany at present—is being drafted by German officials of the Ministries of Finance, Justice and Economy.

Australia had a deficit of £A45,124,000 in trade with the UK during the six months ended last December compared with a deficit of £A35,184,000, in the first half of the 1954-55 financial year.

In view of Malaya's importance to the Commonwealth and because Britain is her best customer for natural rubber, British manufacturers have sent a delegation by air to Malaya to explain UK policy on synthetic rubber.

As a result of a recent Franco-Soviet trade agreement Russia will export anthracite, pitch chrome and manganese ore, oil products, platinum, timber and furs, and in exchange France will export equipment mainly for Soviet mines, steel and food industries.

A population of 27 million by 1980 for Canada and a 565,000 million gross national product by 1980 have been forecast by economists of the country.

The sale of 50,000 tons of white maize for £875,000 to Egypt over the next three months has been announced by the South African Government. In exchange, Egypt will sell 25,000 tons of rice of the same monetary value to the Union.

Traffic revenues of the Suez Canal Company totalled £E3,021,500 in March compared with £E2,786,800 in February and £E2,821,500 in March 1955. For the first quarter of this year the value of revenues reached £E8,726,000.

It is reported that Burma has concluded negotiations with a Japanese firm for the erection of two new spinning factories in Burma, one at Thamaing and the other at Myingyam.

North Viet-Nam has signed trade contracts with Britain, France, Egypt, Switzerland and West Germany.

INDIAN

Total borrowings by the Central and State Governments during 1956-57 were expected to be Rs. 100 crores and Rs. 50 crores respectively.

The World Bank has signed its willingness to consider granting a loan to the Koyna hydro-electric project. A consolidated project report on Koyna is being sent to the Bank who would now proceed further in the matter.

The Bihar Government would set-up an Institute at a cost of Rs. 3.86 lakhs for imparting training in pisciculture to fishermen.

The Rajasthan Government has decided to give a subsidy up to one anna per unit on electricity consumed by small-scale industries (excluding food industries) using power up to 20 H.P.

The Indian Standards Institution has issued a draft code of building bye-laws. It envisages a rational practice in regard to administration of bye-laws, covers essential requirements with regard to structural safety and fire safety, and lays down the basic requirements for health and sanitation.

It is reported Government of India had sanctioned a loan of Rs. 109.31 lakhs to the Government of Jammu and Kashmir during 1955 for rendering help to the displaced persons.

The Government of India proposes to develop and work the iron-ore deposits at Rajhara hills (Madhya Pradesh) for the Bhilai steel plant.

Indian goods were exhibited at 63 international fairs and exhibitions during the first Five-Year Plan period.

Salt production is to be increased from 85 million maunds to 100 million maunds under the second Five-Year Plan.

The Railway repair workshop at Izzatnagar (Uttar Pradesh) is to be remodelled at a cost of about Rs. 1.86 crores.

Eighteen specialists have so far been made available to Indian business organisations under the Industrial Technical Services Project of the Indo-American Technical Co-operation Programme.

About 3,756 tube wells are expected to be sunk in 14 States at a cost of about Rs. 24 crores during the second Five-Year Plan period.

It is reported that batches of Indian technicians are to be sent abroad for training in oil drilling and other techniques.

The Government of India have accepted the proposal by the Asia Pacific Forestry Commission of F.A.O. for a regional survey of timber trends and prospect for the next ten to fifteen years and have agreed to carry out the required survey for India.

The profits of all the Annapurna Cafeterias of the All India Women's Central Food Council and its branches for the year 1955-56 amounted to about Rs. 62,000 and loss to about Rs. 51,000. The profit during the period from 1950-51 to 1954-55 amounted roughly to Rs. 2.18 lakhs.



It's a
BIG job

looking
for oil

Have you ever considered what a long, elaborate and costly business it is looking for oil? Although oil lies thousands of feet underground, the oil prospector may have to take to the air—to photograph the lie of the land and make aeromagnetic surveys. Or he may create artificial earthquakes, in what is called a seismic survey. Then the findings have to be interpreted, in geophysical laboratories, before a test well is bored perhaps to a depth of as much as three miles.

The Assam Oil Company, for many years the pioneer of oil search in India, discovered a fresh source of oil recently at Nahorkatiya in Upper Assam. Crores of rupees have been spent in the search and many more will have to be spent on the development of this discovery.

And all the time, remember, the search for more oil is going on—for further sources of this most elusive mineral are vital for India's industrial development. All the very latest scientific methods and technical equipment, including aeromagnometers and even helicopters, are being employed. No effort in fact is being spared to reduce India's dependence on oil purchases from abroad.

ASSAM OIL COMPANY
does it all



A member of the
Burmah Group of Oil Companies

PROSPECTING • DRILLING • PRODUCING • REFINING

Special Article:

THE DEMAND FOR HOUSING

WHAT is the relation between the demand for housing and rising real income? It is often assumed it is a straight line which, like the Plan Frame's rules of thumb on the 'Ratio', can be applied mechanically to determine housing demand in the next few years. This is an error. In this article there are presented some figures in Table I to show that the character ordinarily assumed of the relation between income and rent paid is by no means justified. They establish the negative conclusion that a simple linear relation between income and rent does not exist for the Indian Union as a whole and that, even for a particular place, the linear character of the relation holds over a very limited field.

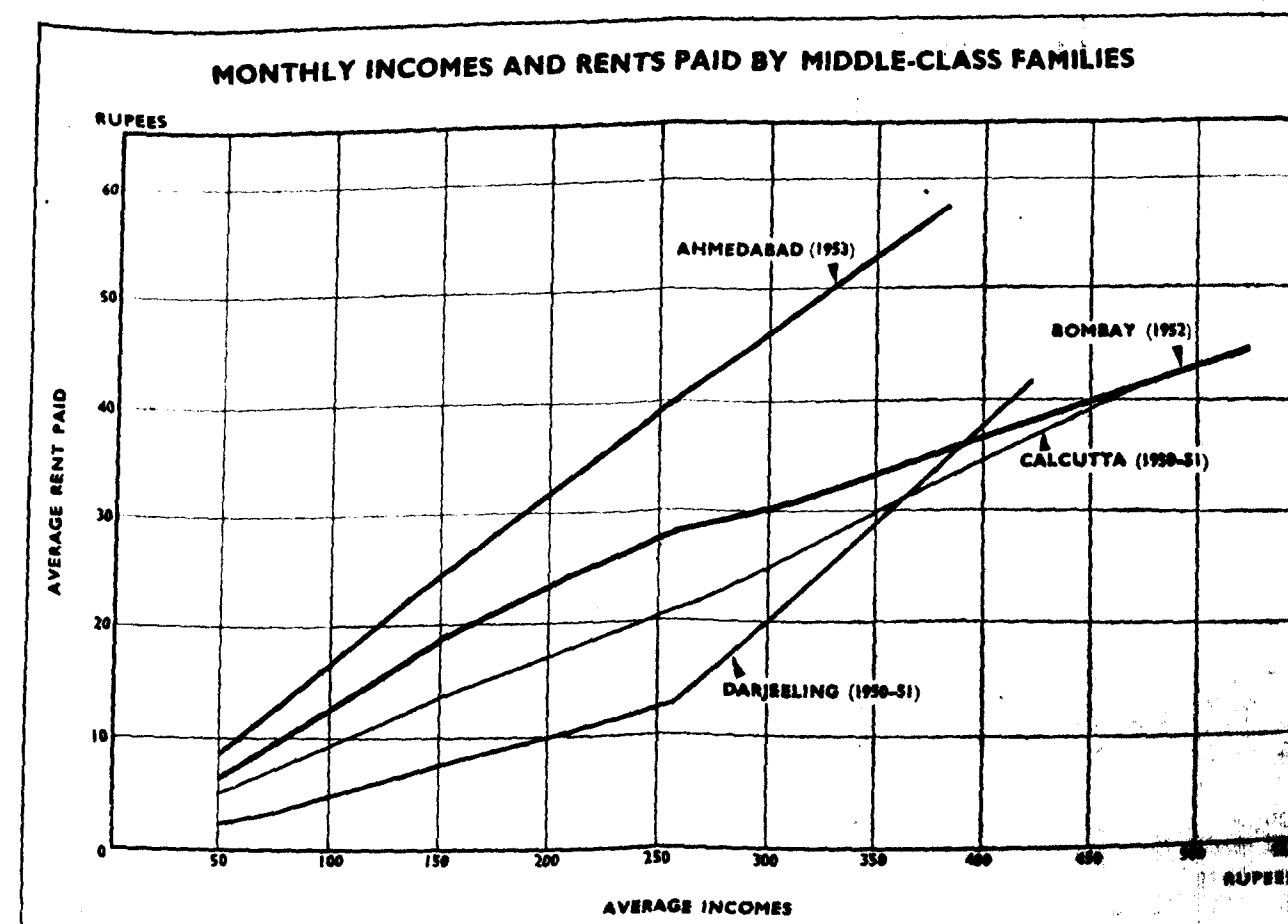
This negative conclusion is one of considerable importance when one is attempting to measure the character of housing demand as money incomes increase, as they will during the second Five-Year Plan and beyond. Since no even approximate relation emerges from the figures of rent and income, one might be tempted to say that any estimate of the volume of demand based on a per capita rise in money income, or even of real income, is likely to have a very large error. If we take extreme cases, for example, in the graph below of four cities in which middle-class housing figures are available, one might say that the error could be over 100 per cent between certain ranges in Ahmedabad and Darjeeling. Figures which have such a large margin of error are obviously not suitable for precise planning.

The conclusion, therefore, to be drawn in regard to this matter can only be rough and ready with a kind of arbitrariness which incidentally belongs to all groups of "overall" economic co-ordinates computed over a long period. Just as there was an error of

something like 60 per cent in the assumption of India's capacity in the first Five-Year Plan in national income terms, and an error of some 200 to 300 per cent in computing our foreign exchange gap, one must be prepared in the next five years for equal surprises in the behaviour of the demand for housing.

The capacity to predict the behaviour of housing in the next few years in general terms is extremely limited. One might hold the view that, while the capacity to predict "overall" housing trends is very limited, a substantial volume of prediction can be done over small areas recognising the special place of supply factors and the behaviour of the population over the last few years. In the city of Delhi, for example, where one of the highest rates of building anywhere in the world obtains, it is possible to say that the tempo will stay at a level of about 18 per cent a year which seems to have been reached in the last four years. This is not, of course, because the population of Delhi is substantially different in texture from that elsewhere where the rate of urban housing growth might conceivably be between 1 and 2 per cent. It is merely that money for housing is relatively unlimited in Delhi while it is in short supply elsewhere. One can draw the conclusion from the wide disparity from the Delhi rate of housing and that of almost every other urban area that it is supply and not demand factors which are likely to be the critical determinants of the volume of new housing which is to be set up in the next few years. Where the supply factors are given, it is possible to be much more effective in prediction because it is supply, not demand, that is largely calling the tune.

Assuming that this view, namely, that the supply of housing is more important at the present time



than demand which arises from the structure of personal consumer expenditure, it appears that the volume of housing can be kept by governmental action at a level which might be very different from that which free market forces would determine. There will be no free market in the next few years both because of demand and supply factors—demand factors because of the continuance of the rent control and the absence of mobility, and supply factors largely because priorities in the choice of building areas and in the allocation of raw materials are bound to be overwhelming. It is, therefore, suggested that we should concentrate surveys of housing in particular areas based primarily on supply and not on rent-income relations. Much the greater part of increasing demand following the flow of money incomes will be held back. This implies that, even if building increases as envisaged in the Plan, there will be an acute shortage in particular areas. This may well be in the national interest.

What is the national interest in regard to the volume of new housing that is to be provided? Almost certainly at this period when there is great pressure on all sources of capital much of which is urgently re-

quired for productive purposes, the national interest requires that housing should be maintained at a minimum. All construction cannot be held back because it is an element in production. But all non-essential construction should be given a low priority because of the fact that the capital-output ratio in construction is the highest of all economic activities in almost all countries of the world. There is evidence to show that the overall capital-output ratio in India has been of the order of 1.5 to 1 in the last few years. In the case of industry it has tended to be between 1.5 and 2, but in housing it is very nearly in the ratio of 6:1 against an average of 7:1 to 10:1, elsewhere in the world.

It is now possible to draw together the conclusions of this article. In the first place, it has been argued that the evidence that exists does not justify the assumption that there is any linear relation between rent paid and income received which has any widespread application in the Indian Union. It is argued, therefore, that it would be dangerous to assume that the demand for housing moves linearly with a rise in income. All the evidence indicates that the rate of

TABLE—I

PERCENTAGE PER HOUSEHOLD EXPENDITURE ON RENT OF DIFFERENT INCOME-GROUPS IN AHMEDABAD, CALCUTTA, DARJEELING AND BOMBAY FOR MIDDLE-CLASS FAMILIES

Monthly Income Range Rs.	Average Monthly Income Rs.	Per Cent Increase in Income	Average Rent Rs.	Percentage Increase in Average Rent	Per Cent of Income Spent on Rent
--------------------------	----------------------------	-----------------------------	------------------	-------------------------------------	----------------------------------

Ahmedabad City, 1953

75-167	132	—	22.0	—	16.6
167-333	232	75.8	36.9	67.8	15.9
333-433	384	65.4	58.4	58.3	15.2

Report on the Middle-class Economic Survey: Gujarat Chamber of Commerce.

Calcutta, 1950-51

1-100	73.2	—	6.9	—	9.5
101-200	151.6	107.1	13.9	101.4	9.2
201-350	271.1	78.9	22.4	61.2	8.3
351-700	483.8	78.4	42.7	90.6	8.8

Family Budget Enquiry, Government of West Bengal.

Darjeeling, 1950-51

1-100	80.6	—	4.2	—	5.2
101-200	130.7	62.2	6.6	58.5	5.1
201-350	255.9	95.7	12.9	96.4	5.1
351-700	474.6	35.5	42.5	329.0	8.9

Family Budget Enquiry, Government of West Bengal.

***Bombay, 1952**

1-50	153.1	—	19.8	—	12.9
50-75	207.7	35.6	24.6	24.6	11.8
75-100	256.8	23.6	28.7	16.8	11.2
100-150	329.6	28.3	32.4	12.7	9.8
Over 150	532.9	61.7	41.0	26.4	7.7

* In case of Bombay the monthly income-groups are presumed to be the same as the monthly expenditure groups, there being no savings.

Indian Statistical Institute, Bombay Branch.

TABLE—II

SHORT-PERIOD BUILDING PROGRAMMES

City	1949-50	1950-51	1951-52	1952-53	1953-54	Total Number of Houses Built in 1949-50 to 1953-54	At Present	Average Annual Rate of Increase
Madras	1,809	1,057	976	1,439	927	6,008	115,912	1.1%
Ahmedabad	880	602	525	439	525	2,971	33,000	1.9%
Kanpur	759	886	862	1,007	850	4,354	35,249	2.8%
New Delhi	—	—	—	—	—	16,000	33,000	18.8%

rise varies enormously both between different areas and between different income-groups in the same area in such a manner as to make the demand for housing in the next few years completely indeterminate. Secondly, it has been argued that while the demand factors are largely indeterminate, the supply factors have for the most part set the pace of new housing in the last few years. Thus in the city of Delhi a rate of 18.8 per cent seems to have been maintained against an average annual increase in Madras of 1.1 per cent, in Ahmedabad of 1.9 per cent and in Kanpur of 2.8 per cent. In the result there has been the widest disparity imposed upon housing merely by the capacity to supply houses, almost entirely now determined by government policy. In other words, it is not the market, but the Government of India and State Governments which will determine essentially the volume and the rate at which new housing can be supplied. Thirdly, it is argued that the discretion of the Government should be exercised in the direction of restricting, and not advancing, that element of housing which is not related to productive activities. This is merely because, at a time when shortage of capital is critical in the economy as a whole, a high priority to housing would imply a non-optimum distribution of the nation's scarce capital resources.

The conclusion to be derived from this article is thus not likely to be encouraging; it can, however, be given a constructive turn. There is an absence of adequate data at the present time to make decisions on the volume of new housing required and where and when. Since these decisions will need to be made, a new set of surveys will have to be undertaken to determine firstly the priority of housing in each place in

terms of productive and non-productive elements; there must then be determined the nature of the policy of restriction which should be imposed by the Central Government or the Planning Commission. The second Five-Year Plan is already too ambitious on housing. It will need to be cut back; it is more necessary that principles should be prepared and facts arranged so that the cut will involve the minimum dislocation in the attainment of the real income imperatives of the Plan.

THE EASTERN ECONOMIST

(Subscription Rates)

	Payable in advance	
	India Rs.	Foreign Rs.
Annual	50	66
Half-yearly .. .	25	33

Copies delivered by air in Bombay, Calcutta and Madras at an extra cost of Rs. 9/- per year.

Foreign air rates on application. Offices in New York, London and Tokyo.

The Manager,

THE EASTERN ECONOMIST LTD.,

52, Queensway
NEW DELHI

**Four Recent Publications of
THE HINDUSTAN TIMES**

MY LIFE AT THE BAR
by G. V. MAVALANKAR

A book of deep interest to members of the Bench and Bar and to students and the lay public.

Rs. 5/- Postage Re. 1/-

SKETCHES OF GANDHI
AN ART PUBLICATION

by FELIKS TOPOLSKI

A unique collection of 24 sketches and two four-coloured paintings of Mahatma Gandhi by the famous Polish artist. Embellished with rare quotations from Gandhiji.

Rs. 16/- Postage Re. 1/12/-

HINDUISM
DOCTRINE AND WAY OF LIFE
by C. RAJAGOPALACHARI

This is an expansion of the same author's *VEDANTA*, the Basic Culture of India, and presents in a brief and easily understandable form the elements of Hindu faith and ethics.

Rs. 3/- Postage Re. -12/-

INTERNATIONAL SHORT STORIES

A collection of 41 selected stories from 23 countries of the world and all the major regional languages of India. This book contains those five stories which shared the world prize of \$5,000 in the international contest of 1952, including the now famous Indian story "Cyclone" which won \$800.

Rs. 8/- Postage Re. 1/4/-

ALL THE FOUR TOGETHER Rs. 29/-

Postage Free

THE HINDUSTAN TIMES, NEW DELHI.

WHEN BUYING INSIST ON FAMOUS CENTURY FABRICS

Specialities

"PARAMSUKH" DHOTIES :	COTTON WASTE BLANKETS
"LAKES BEAUTY" MULLS :	UMBRELLA & TAFETTA CLOTH
DYED & BLEACHED MOTI VOIL :	DYED VENETIANS
STRIPPED POPLINS :	GREY SHEETINGS
LONG CLOTH :	DYED & BLEACHED TOWELS
GREY & BLEACHED SAREES :	CHECK SHIRTINGS

MULTI COLOURED PRINTED CHINTS, MULLS, CREPES ETC.
IN ORIGINAL DESIGNS

The Century Spg. & Mfg. Co., Ltd.,

INDUSTRY HOUSE, 159, CHURCHGATE RECLAMATION
BOMBAY

Managing Agents:

BIRLA BROS. LTD.

The Business World

COLLABORATION WITH SMALL INDUSTRIES

BY
CROESUS

ABOUT more or less the same time that Dr. B. C. Roy, the Chief Minister of West Bengal, was stressing the need for a properly co-ordinated and complementary relationship between large and small industries, in India, at the last annual general meeting of the Bharat Chamber of Commerce, Calcutta, Pressmen in Bombay were being taken round a factory, or rather the only factory in India which has been manufacturing all types of air conditioning units, including the latest to come on the market, namely, the new 'Crystal' Room Air Conditioner. After reading what Dr. Roy had to say on this important subject, I said to myself, in retrospect, that it was a fortuitous coincidence that I was also asking the manufacturers of 'Crystal' sets—Volta—questions intended to elicit information on precisely the same subject. Indeed, whenever I visit any industrial undertaking, this is invariably one of my stock questions. I have asked the question of industries in both the public and the private sectors, and, without intending any reflection on industries in the public sector, I maintain that there is a greater readiness and willingness on the part of industries in the private sector than on those of industries in the State sector to give contracts to small industries to turn out a number of secondary items. In view of this personal experience, I am bound to tell Dr. Roy that the jute mills of Calcutta are not the only "villains of the piece" in this behalf and that there are sufficient justifications for these mills to adopt the course they have chosen. Perhaps the bureaucratic red tape that has wound round the public sector enterprises makes it impracticable for these enterprises to take the help of smaller industries situated near and around their factories. Another reason may be that, invariably, enterprises in the public sector are not at all starved for machinery for any purpose, so that the need to go in for any outside assistance hardly arises. Nor are these State enterprises handicapped for space to instal any plant they may need to turn out a new product, unlike many units in the private sector.

In the case of Voltas themselves, for instance—why, for that matter, in the case of almost all industries located in Bombay—this handicap seems to have necessitated placing orders outside for some parts that could well be manufactured by them with little or no addition to their plant. This should not be interpreted to mean that either Voltas or other private sector units place orders outside only in the last resort and not as a deliberate policy to assist small units. According to the Voltas chief, sub-contracts are given to quite a few small units to produce parts from raw materials supplied. Right from the start, the Kirloskar-Petter enterprise in Poona has made it a policy to encourage small industries near and around its factory to produce some parts. Some of these big industries are known to have advanced money, supplied raw materials and even technical advice to small units. It is moonshine to expect State enterprise enthusiasts to discern altruistic motive in all these gestures. So, it is necessary to examine why any enterprise should feel called upon to go so much out of the way to place orders with small industries and take all the trouble to see that these industries deliver the goods. Herein lies an obvious explanation to Dr. Roy's complaint that some big industries (jute mills, for example) engage themselves in manufacturing even small items such as nuts and bolts, instead of letting some small industries do this for them. Left to themselves, unfortunately, many small industries in this country will not pay the same attention to quality as the bigger industries, which have to use the parts manufactured by the small industries, are required to exercise in the interest of uniform quality. In other countries, such as Japan and Switzerland, if smaller industries flourish side by side with larger ones, it is because the former are relatively more efficient and conscientious than their confreres in our country. But this need not occasion despair. If an intensive educative campaign is launched, our small industries also will rise to the occasion. And this is imperative if the targets in the second Five-Year Plan are to be reached.

AUTHORS' RIGHTS

By
CROESUS

AUTHORS and authors' organisations in Bombay at least are not disposed to agree with the line taken by 'The Eastern Economist' (vide p. 593 of issue dated April 13, 1956) in regard to the Copyright Bill which was recently introduced in the Rajya Sabha and has since been referred to a Joint Select Committee. It is not, however, the Bombay view, or rather the view of organisations of writers, artists and thinkers like the P.E.N., I.I.E.C.C. and the I.C.C.F., that the Bill in question, as a whole, is uncalled for. There is unqualified approval, for instance, to the comprehensiveness of the proposed legislation, as also to several of the useful provisions that it embodies. At the same time, there is strong feeling in these circles that the Bill also includes a few unwholesome features from their point of view. Meetings have accordingly been held to highlight these undesirable features and focus public attention thereon, so that the Select Committee and, failing that body, Parliament at least might press for suitable modifi-

cations of these proposals and thereby prevent avoidable harm to creative artists.

While none will deny that this is a perfectly reasonable stand to take, there is perhaps an even more fundamental point which our legislators have to bear in mind. Thus, it is of paramount necessity to ensure that, in the final form in which the present Bill emerges, it will not contain any provision that runs counter to the Universal Copyright Convention and thus renders India's membership of the International Copyright Union untenable. As the I.C.C.F. has rightly observed in a note on the Bill which it has prepared and submitted to the Government of India, it would be most unfortunate if, because of any provision in the Bill, India should be required to cut herself adrift from the comity of civilised nations.

Now for a few words about the provisions in the Bill which have been described as either undesirable

or retrograde. No less a person than Mr. Warkar (Mama Warkar), the veteran Marathi writer and a Member of Parliament himself, who participated in last Monday's public meeting convened for the special purpose of discussing this Bill under the joint auspices of the three organisations named earlier, felt compelled to observe that although amendment of the existing Copyright Act (which is hopelessly inadequate) was necessary, the proposed amendments were not all to the good. Stressing the point that amendments to the existing Act must be in the interests of those covered by the Act, he observed that the clause requiring artists to register themselves was retrograde and condemned it as "a flagrant violation of the right of the artists". Mr. M. A. Venkta Rao, another scholarly participant in the discussions, further stressed this point and remarked that to insist upon the registration of copyright before a suit could be instituted for its breach was equally retrograde. He maintained that the publication of the work should itself give the author the right to claim copyright and to sue for it, without having to go through further formalities.

A second feature of the Bill which has caused considerable consternation among writers and authors in Bombay is the clause that seeks to reduce the term of the copyright from 50 to 25 years. Mr. M. R. Masani vigorously opposed this clause at Monday's public meeting. Strongly deprecating the proposal, he urged that, as under the International Convention, all writers, musicians and other creative artists who would be covered by the Bill in question were entitled to the benefits of their works throughout their life. There is both point and force in this plea. For it is well known that, as a class, generally, Indian authors, composers and other creative artists are not only poor but also very poorly paid. Many of them are forced to live in abject conditions of poverty, and to deny a class of people such as these to enjoy the benefits of their only worldly possession and what perhaps may be their sole legacy to their heirs is to forget the fundamental objective of the legislation itself, namely to protect the interests of genuine artists and authors. It is a sad commentary on the understanding of those who framed this Bill that they should have overlooked such an important aspect. The result, ironically enough, is that we have, on the one hand, a class of people who, because of their being anything but worldly-wise, notwithstanding all their genius and talents, need the fullest protection of law and, on the other, a Bill which is ostensibly out to extend precisely such protection, but, in fact, miserably fails to do so.

Yet another undesirable feature of the Copyright Bill is that it is not only proposed to reduce the term of enjoyment of a copyright from 50 years after the death of a writer or artist to 25 years but, in the case of joint authors, this 25-year period is to be calculated from the death of either of the partners and not from the death of both. Naturally enough, Mrs. Amy Rustumji, the well-known educationist of Bombay, ridiculed the thoughtlessness of such a provision and instanced cases where this would work as a severe hardship. She said how, in several cases, young writers, who are not well known and do not have the means, allow themselves to be bracketed with obliging and established cronies who are one foot in the grave and how the poor young unknown writers or artists who have really slogged stand—as the Bill stands—to be deprived of the chance to enjoy the copyright of their creative work even for their own life time, by reason of the decision of their older sleeping partner to go off into eternal sleep.

Fears also were expressed that the proposal to set up a Copyright Office and the powers proposed to be invested in the Registrar of Copyrights would import

all the bureaucratic unimaginativeness into a sphere where imagination and sympathy were the most imperative needs. It was even voiced by a few that legislation such as this was harmful in the extreme, in that it would mean a slow but sure, albeit imperceptible, infringement on the fundamental rights of the people.

THE EASTERN ECONOMIST PUBLICATIONS

	PRICE Rs. As. Ps.
The Economic Progress of Russia, 1860-1948 by E. P. W. da Costa	1 8 0
India's Foreign Trade: Part I by L. K. Jha	1 8 0
The Welfare State by T. W. Kent	1 0 0
Japan's Post-War Industrial Recovery by Sherwood Fine	1 8 0
Radical Humanism by M. N. Roy	1 8 0
What Goes on in the U.S.S.R.? by "Odysseus"	1 4 0
Communism and India by Philip Spratt	1 8 0
India and The Free World	0 8 0
India's Food Problem by P. A. Gopalakrishnan	1 4 0
A Programme of National Education for India by Humayun Kabir	0 8 0
Deficit Financing, Capital Formation and Price Behaviour in an Under-Developed Economy by V. K. R. V. Rao	1 8 0
Sea Power in the Indian Ocean by C. S. Venkatachar	0 8 0
Gold and Its Price by Arthur H. E. Taylor	0 8 0
International Capital Movements by C. M. Palvia	1 8 0
Goods Transport and the Plan by B. V. Vagh	1 0 0
India in Asia by E. P. W. da Costa	1 0 0
Company Finances in Indian Industries by S. K. Chaudhuri	1 0 0
A Lecture on the Dollar Problem by Donald MacDougall	1 0 0
The Economic Development of South- East Asia by E. P. W. da Costa & K. Rangachari	1 0 0
Asia between Malthus and Marx by Raymond Aron	0 8 0
Road Transport in India by B. V. Vagh	1 0 0
The Public Sector by Dr. N. Das	1 8 0
Post-War Industrial Relations in India by R. C. Goel	1 8 0
Geographical Realities of India by C. S. Venkatachar	2 0 0
India and China by Dr. Wilfred Malenbaum	1 0 0

ANNUAL NUMBERS

India 1948—A Political and Economic Report	3 0 0
India 1900-1950 and India in 1949	5 0 0
India and the World and India in 1950	5 0 0
"A Social History of the Indian People" and India in 1951	5 0 0
"India and the Free World" and India in 1952	5 0 0
"India in Asia" and India in 1953	5 0 0
India in South-East Asia and India in 1954	5 0 0
India and the Communist World in 1955	5 0 0

POSTAGE EXTRA

Copies can be had from all important
booksellers or direct from

The Manager

The Eastern Economist Ltd.
52, Queensway, New Delhi



TROUBLE FREE
PERFORMANCE

STURDY IN
CONSTRUCTION
ATTRACTIVE
IN PRICE

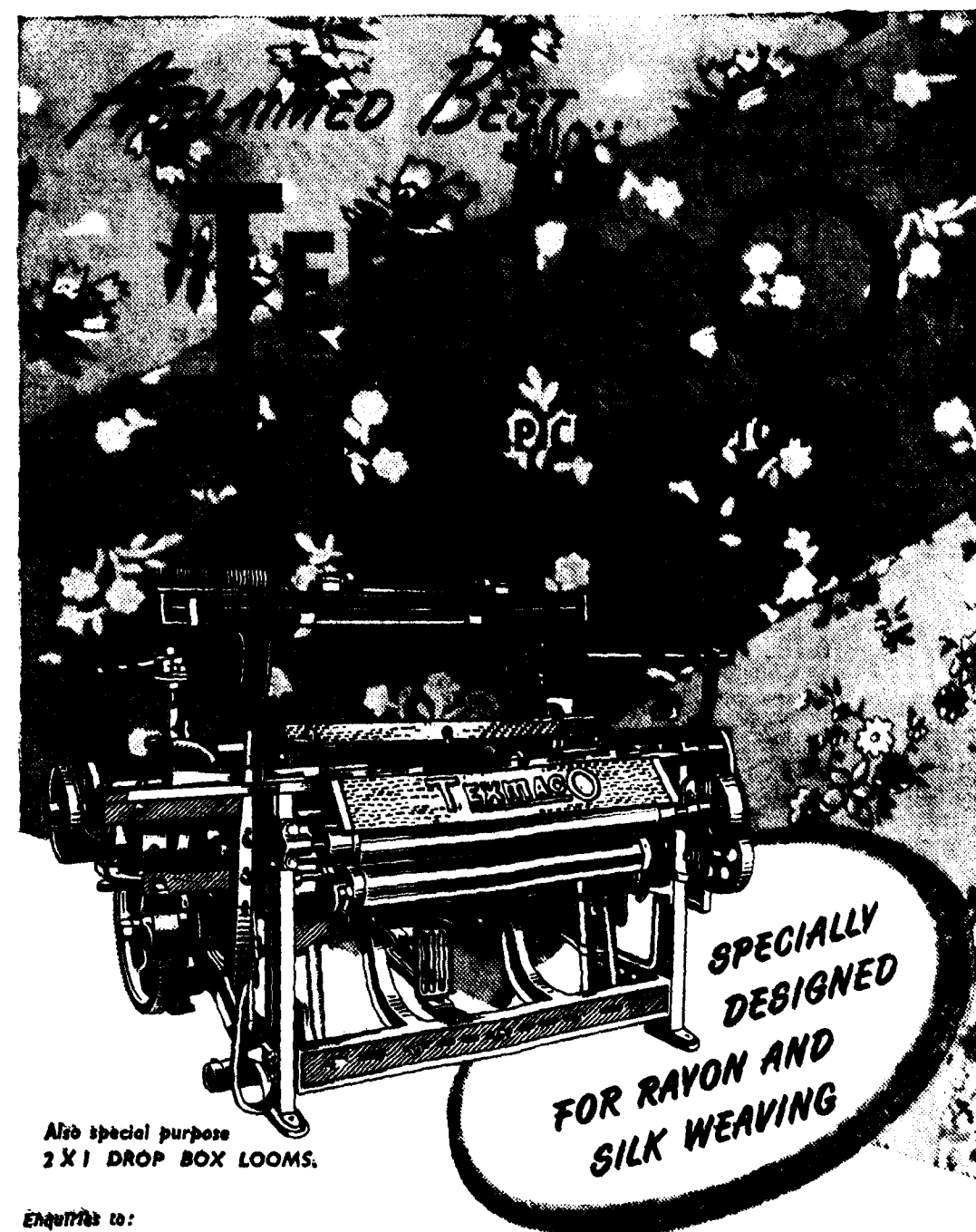
DIPTI
Lanterns
FOR
MILLION HOMES

When you buy a lantern always insist on Dipti. Remember Dipti not only gives you a trouble-free service but also saves twenty percent of your kerosene consumption. It is sturdy in construction and smart in look. It has a special paint which is good for all weathers.



THE ORIENTAL METAL INDUSTRIES LTD.

Head Office: 77, Bowbazar Street, Calcutta - 12. Factory: Agarpara Estate.
Progressive O.M.I.



Enquiries to:

TEXMACO
Gwalior Ltd.

P. O. BIRLANAGAR, (Gwalior)

Sales Offices at:

BOMBAY
254A, Annie Besant Road,
Worli.

BANGALORE
64, Second Cross,
Gandhi Nagar.

AMMEDABAD

Chhorelal Bldg., Kadia Kul,
Relief Road.

DELHI

Rohatgi Mansion,
Kashmere Gate,
Hamilton Road.

BUSINESS NOTES

IMPLICATIONS OF TEXTILE POLICY

IN THE context of the discussions that have been going on about the place that the 'Ambar Charkha' and the handloom weaver are to occupy under the second Plan, it is only to be expected that Chairmen of cotton mill companies would devote their addresses at their shareholders' meetings to a discussion of the implications of the Government of India's textile policy. It should be obvious to anyone who has followed articles of millowners in the Press and representations by mill-owners' associations to Government that there is a genuine fear in the minds of cotton mill interests that the proposed reliance on the handloom industry for all the additional requirements of cloth needed during the second Plan period will only land this country in trouble. Simply because such a view is expressed by spokesmen of the cotton mill industry, it should not be disregarded either by the protagonists of 'Ambar Charkha' and handloom weavers or the Government of India.

Addressing the shareholders of the Svadeshi Mills Co. Ltd., a few days ago, Mr. A. D. Shroff questioned the wisdom of the Government in putting a ceiling on the production of cloth for textile mills at 5000 million yards in pursuit of certain ideologies. He said: "Whilst Government agree with us that the demand for cloth in the country has shown a marked tendency to increase, and, by the end of the second Five-Year Plan, may well exceed 18 yards per capita, in their wisdom, they have decided that the additional requirements of cloth should be found from the handloom weavers. It is certainly incomprehensible that, at a time when the country's most imperative need is decreased production all round, Government should liberately decide not to utilise the capacity of the industry to make its effective contribution towards meeting the increased demand for cloth in the country".

In saying this, Mr. Shroff did not want to be misunderstood that he was opposed to the encouragement to handloom weavers that the Government is intent on to giving. As a matter of fact, he said, he entirely associated himself with the Government's intention to find increasing employment for a large number of people who are unemployed in the country and even welcomed the provision of self-employment to them in cottage and small-scale industries. But, at the same time, he made it clear that Government should not pursue the policy "which is bound to result, much sooner than we may dare to imagine, in an acute shortage of cloth."

Speaking to the shareholders of the Tata Mills Ltd., the Chairman, Mr. Naval H. Tata, expressed himself in even stronger terms on this subject. He felt that it was tragic to find that a noose is being slowly put round the neck of the promoters of textile industry who have struggled hard to develop this premier industry of the country representing a national investment of over Rs. 113 crores. He warned that it would be suicidal if the industry was allowed to stagnate on the plea of creating more employment by subsidising the cottage and village sector. Any further curbs placed on the expansion of the Indian textile industry, he warned, would make the way easy for our competitors to capture the coveted position in the textile world.

This latter point is particularly important. In order that the implications of the Government's textile policy might be fully understood, there is need to reproduce Mr. Tata's reference to this subject.

"It would be suicidal," Mr. Tata said, "to hold back the energised gears of this dynamic and progressive national effort with the intention of revitalising the cottage and village sectors on the plea of creating more

employment. There is no doubt that those foreign countries which are now scared of the tremendous progress of the Indian textile industry would breathe a sigh of relief, as more curbs placed on the expansion of the Indian textile industry would adversely affect its competitive position in the export market which, in turn, would make the way easy for other countries who are forging ahead boldly to capture the coveted position in the textile world." Few warnings have been more outspoken than this, but will it be heard?

NOT SO CLEAR AND PRECISE

IN THE course of the last sixteen years of its progressive existence, the All-India Manufacturers Organisation has built up for itself a position of authority and prestige as the accredited spokesman of medium-scale industries which invests its policies and official views with a good deal of weight in the discussion of industrial problems. Its annual and some of its important quarterly sessions have usually made valuable contributions to such discussions. However, certain observations in the presidential address of Mr. M. J. Vaidya at last Saturday's annual session of the AIMO held here tend to indicate that some of the views voiced on behalf of it could have been subjected to a deeper process of crystallisation and precision.

What the Chairman said about the transformation of the private sector which is currently under way and the evolution of a new pattern for this sector discloses that thinking on this issue remains to be carried to its logical conclusion. It must be stated clearly that Mr. Vaidya has been quite positive on the indispensability of the preservation of the private sector. But he is not as clear as one would wish him to be in the amplification of his thesis of the current evolution in the pattern of the private sector. He spoke with emphasis of the millions of small enterprises dispersed all over the country under the direction of millions of small men responsible for raising the requisite capital on a small scale. This phase, he argued, marked the emergence of a new middle class of small entrepreneurs. His grouse was that the Government's mind was too much preoccupied with "the few tall poppies that appear on our economic field" and it is they who influenced its policy on forcing the pace of the expansion of the public sector. His main grievance related to the inadequate attention paid by the Government to medium-scale industries. The Prime Minister who inaugurated the session made a pertinent observation that this may at best be considered as correct just in a partial sense.

Leaving aside this understandable solicitude of the AIMO Chairman for a greater share of Government's attention to medium industries, the preliminary question to consider is whether the issue of a correct attitude towards the private sector can be considered to have been viewed in its real perspective by concentrating attention on the new entrepreneurs to whose emergence reference is made. What precisely is the truth about the essential character of the private sector? The Chairman's most pointed emphasis on the spectacular increase in the interim index of industrial production in the last year only argues the massive contribution made by large-scale industries in the private sector, since it is their output that accounts for a predominant part of the index. To concede the necessity of the control and regulation of the private sector is a different and unrelated issue. But there is need for clarity and precision in assessing the genuine nature of the private sector of industry. In an age in which mechanised production is becoming more and more complex and big strides are being made in technological advances, survival in international competition is possible

primarily by placing an ungrudging emphasis on large-scale enterprises in the structure of industry. This is indeed a basic condition of a progressive economy anywhere. These enterprises need not hamper the growth of medium industries which have their proper place as ancillary components.

EXPANSION OF ELECTRICITY UNDERTAKINGS

DEALING WITH investment, the Draft Outline of the second Five-Year Plan alleges that "information available in regard to electricity undertakings does not permit anything more than a guess". But, as is only to be expected, this is not the view of the electricity industry itself, which says that, through its accredited organisation—the Federation of Electricity Undertakings in India—it has furnished the Planning Commission ample data relating to expansion visualised in the private sector of the industry during the years 1956-1961. Neither the spokesmen of the industry nor the Federation have claimed, however, that the data so furnished are exhaustive or complete. It seems, in fact, to have been specifically pointed out by the Federation that the data do not include information about normal expansion to be undertaken by a number of undertakings. The mistake that the Federation did was that it did not inform the Planning Commission that an estimate of such normal expansion could be had from a Government of India publication itself—General Review of Public Electric Supply: All India Statistics 1954. These statistics show that, between the years 1952 and 1953, there was an increase in capital expenditure of electricity undertakings in the private sector of Rs. 632 lakhs.

Anyway, so that the final version of the second Five-Year Plan also may not repeat the allegation, the Federation has been periodically writing to the Planning Commission to supplement the information already furnished by it in regard to all major expansions in the electricity industry in the private sector. The latest of such major expansions about which it has apprised the Planning Commission is that visualised by the Tata Hydro-Electric System involving a capital expenditure of some Rs. 8 crores. Together with this addition, according to the Federation, the major expansion in the private sector during the second Plan period would amount to 287,000 kw involving a total capital outlay of Rs. 41.48 crores.

Now for a few words about this latest expansion scheme of the Tatas at Bhira. The main features of the proposed extension to the Bhira Hydro-Electric scheme (the Hydro-electric group of Tatas) are:

(i) The construction of a new tunnel 14,800 ft. long and 154 sq. ft. cross section, lined throughout with a surge shaft, a new sluice house at lake, and a valve house at penstock end. This is expected to cost Rs. 150 lakhs and take about 27 to 28 months to be completed.

(ii) Strengthening and raising of the existing Mulshi dam so as to take the new spillway 10 ft. above the present one. This work is estimated to cost another Rs. 50 lakhs and take about two years. (iii) Erection of a 60 MW 11 kv vertical turbo-generator, along with associated penstock, transformer, switch gear, governor, voltage regulator, etc., all of which is expected to cost Rs. 21 crores and take about 24 months for completion.

(iv) Replacing of the present transmission lines of Bombay by 0.2 sq. in. in copper A.C.S.R. conductor lines, on double circuit, galvanised steel towers. This would cost about Rs. 50 lakhs and be ready by 1958.

COAL FOR AHMEDABAD MILLS

STATISTICS OF peak wagon loadings of coal and special movements to pockets of shortages which are highlighted occasionally on behalf of the railways do give a measure of the effort which the railway administrations strive to make to assist the consuming industrial units. But equally important is the failure to rush supplies when they are needed in critical situations. This factor need not be interpreted as a reflection of any sort on the bona fides of the railway administrations, but emphasis on it seems essential in the interest of continuous vigilance and timely action.

The Ahmedabad cotton textile mills have suffered a good deal from a steady decline in the arrivals of coal since the middle of 1955. At the last annual meeting of the Ahmedabad Millowners' Association, Mr. Madanmohan Mangaldas, the Chairman, described in his address the critical situation of coal shortage in a few telling words. A number of cotton mills in this city are operating just on marginal stocks. A situation of near-crisis has become their normal fate in spite of the arrangement made under the guidance of the Association for pooling of the stocks of member mills and the ad hoc allotments made in favour of the Association. The Chairman has grudged no words to express the Association's gratitude to the Western Railway for the assistance it rendered. Making allowance for the full effect of these palliatives, the stark fact remains that the gravity of the shortage situation could not be mitigated over the period as a whole. All that these palliatives could do was to avert total closure of some units. This is a specific case of an important industrial centre for which some normal readjustment of wagon allotments needs to be made.

HEAVY INDUSTRY IN MADRAS STATE

THE CLAIM of regions with a low level of industrial development for special consideration in the choice of the location of State enterprises in the second Plan has certainly some justification if only to correct the regional imbalance in industrialization. As the Draft Outline of the second Plan is due to come up for final discussion before Parliament, it is not unexpected to find claims of individual States being advanced for the allocation of a share in the programme of heavy industries. At last week's annual general meeting of the Southern India Chamber of Commerce, the President, Mr. M. A. Chidambaram, directed part of his comment on the Draft Outline to this problem. He made no secret of a sense of keen disappointment at the omission in the Plan to pay attention to the requirements of Madras State for a place in the rapid expansion of industries. The backwardness of the State in this sphere, coupled with the growing size of unemployment among the educated classes, worsened by the pressure of population increase, he urged, ought to have directed the attention of the Planning Commission to the needs of Madras State.

The usual argument about sufficiency of the requisite resources to operate an industry can hardly be pressed in the matter of regions like Madras which are lacking in them for the plain reason that location of some enterprises at least is to be determined to rectify disparities in regional industrial growth. The President has sought to stress the fact that lack of industrial resources has not prevented Japan or the UK from achieving a high level of development. Madras possesses a good potential of talent and technical skill. He mentions some industries as suitable for location in Madras. This demand has been inspired by the expectation of provision of employment at different levels. The significance of this consideration is obvious even if the nature of the employment potential of heavy industrial units is recognised.

COTTON YARNS

OF ALL DESCRIPTIONS

FOR HANDLOOM, POWERLOOM & HOSIERY FACTORIES

MADURA MILLS COMPANY LIMITED

Phone: 250 (5 lines) **MADURAI** (SOUTH INDIA) Telegrams: "HARVEY"

MILLS AT
MADURAI, TUTICORIN AND AMBASAMUDRAM

5,00,000 Spindles **Counts up to 80s**

We Supply:

WARP YARNS, COMBED YARNS, HOSIERY YARNS, CONE, CHEESE AND HANK YARNS, SINGLE AND FOLDED.

SPECIALITIES:

Yarns for the Manufacture of

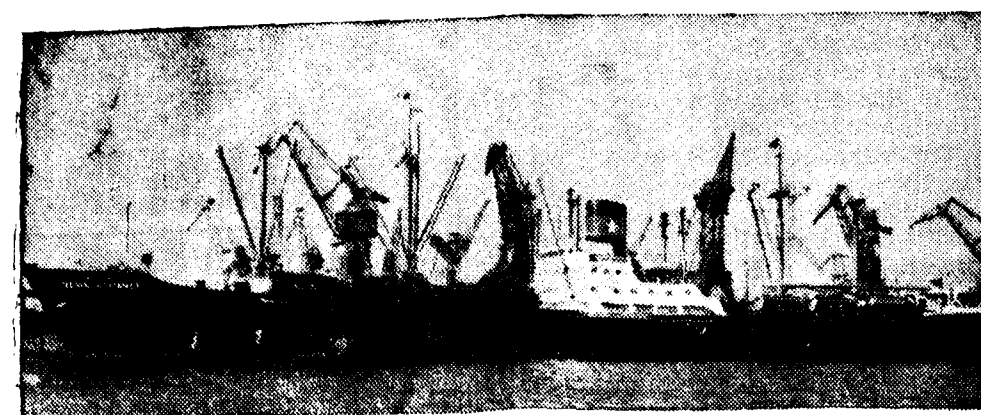
ROPES — HEALDS — CANVAS — TAPE
BELTING DUCK — TYRE CORD FABRIC — SEWING THREAD
MULTI-PLY & CORD YARNS

Managers:

A. & F. HARVEY LIMITED

PANDYAN BUILDING
MADURAI (SOUTH INDIA) Telegrams: "HARVEY"

Phone: 420 (4 lines)



INDIA STEAMSHIP CO., LTD.

Our Fleet

S. S. INDIAN PIONEER	S. S. INDIAN EXPORTER
S. S. INDIAN TRADER	S. S. INDIAN NAVIGATOR
S. S. INDIAN SHIPPER	S. S. INDIAN MERCHANT
S. S. INDIAN IMPORTER	S. S. INDIAN COMMERCE
S. S. INDIAN RENOWN	S. S. INDIAN RELIANCE
S. S. INDIAN ENDEAVOUR	



Calling at:-
PORT SUDAN, PORT SAID, ALEXANDRIA,
LONDON, LIVERPOOL, DUNDEE,
ANTWERP, ROTTERDAM, HAMBURG,
BREMER, and other ports.

Regular cargo service between INDIA-U.K.-CONTINENT and also INDIAN COASTAL service

Managing Agents:- **LIONEL EDWARDS LTD.,** D-1, CLIVE BUILDINGS, CALCUTTA-1.

COMMODITY NEWS AND NOTES

RESUMPTION OF RICE AUCTIONS

It has been decided by the Government of India that rice auctions be resumed in Bombay. Burma raw rice and indigenous qualities fall under this category of auctions. It is also understood that about 9,000 tons will be offered to the trade. The stocks are held in Bombay and other godowns in the district. Meanwhile, the price trend shows a quiet tendency following the auction news. Prices of Burma rice as well as of indigenous qualities have dropped by about Rs. 5 to Rs. 7 per candy, with the buyers aloof from the market. The setback in the market is also attributed to the improvement in arrivals. Results of the auctions are being awaited as it would have a significant effect on the future trend of prices.

WOOL PRODUCTION IN UNITED STATES

Wool production in 1956 in the United States is not likely to be greatly different from last year, according to USDA experts, as little change in the number of stock sheep is suggested by slaughter figures. Mills will probably use about the same quantities of both apparel and carpet wool that they used in 1955. Prospects are for a slightly larger world supply during the 1955-56 season. Production is expected to be a little larger and stocks are up slightly from a year ago. Prices received by US farmers for wool in 1955-56 averaged substantially below the 53.9 cents a pound received during the 1954 season. Individual producers will receive incentive payments based on the percentage needed to bring the US average price per pound up to the incentive level of 62 cents per pound. For the 1956 marketing year the incentive level is continued at the 1955 figure and payments will be made as under the 1955 programme. It appears probable that the average of prices received in the open market in 1956 will not be greatly different from the 1955 average and will again be substantially below the incentive level.

FINAL ESTIMATE OF DRY GINGER

According to the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture, the all-India final estimate of dry ginger for 1955-56 puts the current year's area and production at 36,900 acres and 14,000 tons, as against the partially revised estimates of 35,400 acres and 14,000 tons for 1954-55. Thus, the current year's estimate shows an increase of 1,500 acres or 4.2 per cent in area and 900 tons or 6.4 per cent in production over last year. The increase in area and production during the current year has occurred in all the States, except Orissa and Vindhya Pradesh, which have reported slight decreases in area. The increase in area and production has been attributed to favourable weather conditions during the current year as compared to last year.

IRON ORE DEPOSITS IN HYDERABAD

Large deposits of "high grade iron ores" with an iron content of more than 60 per cent have been found over extensive areas in the districts of Khammameth and Warrangal. Several deposits of low grade iron ores are also known to occur in different districts of the State—Adilabad, Karimnagar, Warrangal, Khammam, and Raichur. On examination by the Mines and Geology Department it has been found that these areas contain a total of about 40 million tons of iron ore with an average iron content of little less than 40 per cent. Experiments are being conducted to study whether these ores with the help of locally available non-coking coals could be used for the production of iron and steel.

SHELLAC SHIPMENTS

Overseas demand for shellac is moderate as supplies, together with the carry-over from the previous

season, are considered adequate to meet the demand. Total shipments of lac in March were lower at 26,171 packages compared with 27,628 packages in February. Out of the total shipments last month, shellac accounted for 16,782 packages, seedlac for 6,196 packages, buttonlac for 299 packages and others 2,494 packages. The corresponding figures for February were 19,151, 5,634, 494 and 2,249 packages. The shellac market has presented a firm front recently. The price of pure T. N. which declined from Rs. 134 to Rs. 115 per maund last month has improved to Rs. 121. The discount for forward delivery over ready quotations had narrowed down to about Rs. 2 from between Rs. 4 and Rs. 5.

RUBBER PRODUCTION IN CEYLON

It is reported that Ceylon rubber production would rise by 50 per cent as a result of a four-year replanting programme. During eight years of independence, the tea industry has increased by 62 million lbs. A total 50,000 acres of worn out rubber had already been replanted and a further 100,000 acres would be replanted during the next four years. A similar programme was also planned for the coconut industry.

ZINC AND ZINC ALLOY FOR DIE CASTING

The Indian Standards Institution has published a specification for high purity zinc and zinc base alloy ingots for die casting. This standard covers the requirements of high purity zinc and two grades of zinc base alloy ingots for die casting designated as alloy one and alloy two. Alloys one and two have similar composition except for the copper content. Whereas alloy one is virtually copper free, alloy two contains 1 per cent copper.

EXPORT DUTY ON LINSEED OIL

On a review of the trend in the prices of oils and oilseeds, the Government has decided to impose with immediate effect an export duty of Rs. 250 per ton on linseed oil according to a press note of the Ministry of Commerce and Industry. The Government has also decided to levy an export duty of Rs. 200 per ton on nigerseed oil and kardiseed oil, and to raise the export duty on castor oil from Rs. 125 per ton to Rs. 175 per ton.



**THE
HIND
BANK
LTD.**

4, Brabourne Road, Calcutta-1.

FOR COMPLETE BANKING SERVICE

SUBSCRIBED CAPITAL . Rs. 1,00,00,000
PAID-UP CAPITAL . . . Rs. 50,00,000
RESERVE FUND Rs. 26,00,000

*Connections in all principal
centres of the world*

Chairman General Manager
Mr. K. P. GOENKA Mr. S. D. PARDIWALLA

COMPANY AFFAIRS

THE DUNLOP RUBBER CO. (INDIA) LTD.

The accounts of the Company for 1955 show that, after providing for depreciation (Rs. 27,51,477) and interest (Rs. 6,50,000), but before taxation, the profit, amounting to Rs. 96,72,154, is slightly higher than Rs. 96,37,915 for the preceding year, though the ratio of profit to turnover, before providing for taxation, is lower at 6.4 per cent compared to 7.0 for 1954. This has been attributed to further reductions in selling prices. The ratio has, in fact, shown a downward tendency for a few years and was 7.7 for 1952 and 7.4 for 1953. The cost of goods sold (excluding depreciation) is Rs. 12,39,20,099 compared to Rs. 11,13,39,847 for 1954. Sales amount to Rs. 15,09,18,972 as against Rs. 13,70,34,228 for the preceding year.

After deducting the provision for taxation (Rs. 42,32,360 which includes Rs. 2,30,000 in respect of the new super-tax on the ordinary dividend in excess of 6 per cent), and gratuity provision of Rs. 5 lakhs, the net profit available for distribution amounts to Rs. 61,28,686 compared with a slightly higher figure of Rs. 69,45,891 for 1954. The Directors have recommended payment of a Guaranteed Preference dividend for the year under review, at 6 per cent, free of tax, which absorbs Rs. 1,80,000. The Second Preference dividend at the same rate but less income-tax absorbs Rs. 1,77,000. The Directors recommend maintaining the rate of the Ordinary dividend at 15 per cent, free of tax, which takes away Rs. 24,00,000. A sum of Rs. 22,00,000 has been transferred to General Reserve in order to provide resources necessary for the expansion of the business. This leaves a balance of Rs. 11,71,686 to be carried forward.

During the year, additions were made to the extent of Rs. 33,69,602. In accordance with Schedule VI of the Companies Act 1956, an amount of Rs. 1,13,86,174 has been transferred to a Special Depreciation Reserve, which was the Depreciation on Buildings and Plant provided in the post-war years at higher than normal rates. Inventories, conservatively valued, are lower by Rs. 4,17,891, due to difficulties in procuring certain raw materials, and there is a reduction of Rs. 6,89,846 in cash and current balances. Against that, there is an increase of Rs. 16,74,490 in Debtors, which reflects the higher level of turnover.

THE FINLAY GROUP OF MILLS

The working results of the Finlay Mills, the Gold Mohur Mills and the Swan Mills (Agents: M's. James Finlay and Co., Ltd.) for the year 1955 are satisfactory. The figures are tabulated below:

	(In rupees)		
	Finlay	Gold Mohur	Swan
Trading profit for the year	21,81,538	16,77,978	28,76,266
From which there have been deducted:			
Provision for Income-tax, Corporation Tax and Dividend Tax	5,60,000	2,66,000	8,00,000
Retiring Gratuity Fund	10,000	30,000	30,000
Development Reserve	5,70,000	3,37,000	1,25,000
Reserve Fund	—	—	1,00,000
Depreciation	2,65,000	4,63,000	11,30,000

Adding the amounts carried forward from the previous year, of Rs. 3,90,661, Rs. 2,04,390 and Rs. 3,59,764 the sums becoming available for disposal, respectively for the three companies, stand at Rs. 11,67,199,

Rs. 7,86,368 and Rs. 10,51,030. For the Finlay Mills, Ltd., a dividend of Rs. 20 per share on 50,000 shares, free of income-tax, has been proposed which absorbs Rs. 10,00,000, leaving a balance of Rs. 1,67,199 to be carried forward. In the case of the Gold Mohur Mills, Ltd., Rs. 7,50,000 are to be paid as dividend on 50,000 shares at Rs. 15 per share, free of income-tax, and the balance of Rs. 36,368 has been proposed to be carried forward. A dividend of Rs. 25 per share, free of income-tax, on the 36,000 shares of the Swan Mills, Ltd., absorbs Rs. 9,00,000 which leaves a balance of Rs. 1,51,030 to be carried forward.

The Alexander and Finlay Thread Co., in which the Finlay Mills has a 50 per cent interest, showed a loss, during the year, of Rs. 1,34,780 of which the Finlay's share amounts to Rs. 67,390. According to the Directors, the loss occurred mainly due to certain technical difficulties in regard to some articles of production and the need to establish markets. They are, however, hopeful about its improved working in the future.

THE MODERN MILLS, LTD.

The result of the Company's operations during the year ended October 31, 1955, shows a profit of Rs. 12,53,899, after providing a sum of Rs. 4,66,006 for bonus payable to the staff and workers for the three years: 1953, 1954 and 1955. The bonus is to be paid in accordance with an agreement arrived at between the Rashtriya Mill Mazdoor Sangh and the "Millowners' Association, Bombay. Adding to the profit the amount of Rs. 16,412 brought forward from the previous year's account, a total sum of Rs. 12,70,311 becomes available for distribution. The Directors have allocated to the depreciation on buildings a sum of Rs. 62,711. Another sum of Rs. 4,55,820 has been allocated to the depreciation on machinery. The reserve for taxation gets Rs. 35,962, the machinery rehabilitation reserve fund gets Rs. 3,00,000 and the reserve fund Rs. 30,000, leaving a balance of Rs. 3,85,758.

The Directors have proposed a dividend of Rs. 5 and a bonus of Rs. 3 per share, making a total of Rs. 8 per share on 44,261 ordinary shares of Rs. 50 each, for the year under report, which absorbs Rs. 3,54,088. This leaves a balance of Rs. 31,670, which is to be carried forward.

In the cloth trade, conditions were satisfactory during the year. For yarn, however, the demand and prices realised during the latter half of the year were poor and improved only after the turn of the year.

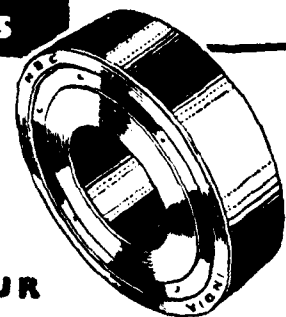
BRAITHWAITE & CO. (INDIA) LTD.

The Company's working for the year 1955 has resulted in a profit of Rs. 15,52,716, which shows an increase of about 50 per cent over the profit for the preceding year which stood at Rs. 10,94,082. This figure is exclusive of the provision of Rs. 13,00,000 for taxation and Rs. 2,00,663 for depreciation. The profit, together with Rs. 2,09,750 brought forward from the previous year's accounts, makes a sum of Rs. 17,62,466.

To meet the obligations of the amended Section 23-A of the Indian Income-Tax Act, the Directors have recommended an additional dividend of 6 annas per share for the year 1954. For the year under report a provisional dividend of Rs. 1-12 per share has been recommended, pending decision on an application submitted by the Company for being exempted from the provisions of Section 23-A. Dividends as recommended absorb Rs. 12,02,705, leaving a balance of Rs. 5,59,761 to be carried forward.

In Tractors . . .

FOR MINIMISING FRICTION



- Made from high carbon chrome steel
- Manufactured to maximum precision
- Robust design
- Efficient performance

NATIONAL BEARING CO., LTD. JAIPUR

Calcutta Office: India Exchange Phone: 22-2418
Bombay Office: 26, Calicut Street, Ballard Estate, Fort,
Phone: 261484.

THE RAMAYANA OF TULSIDAS IN ENGLISH VERSE

LATEST "HINDUSTAN TIMES" PUBLICATION

The famous Hindi epic regarded by many as "the greatest book in all devotional literature" is for the first time now available in English verse.

The translator, the Rev. A. G. Atkins, completed the book after ten years of devoted work. He has tried "to keep and express in English in the fine rhythm and music of the original in simple lucid language, and with as much of the vivacity, wittiness and picturesqueness that Tulsidas has put into his work." He has also followed in some measure Tulsidas's metrical variations such as *chhand*, *chaupai*, *doha* and *soratha*.

In a foreword Mr C. Rajagopalachari says: "Mr Atkins' monumental work and his Introduction are a revelation of hope for those who desire to see all the great religions of mankind come together. . . . His service is not only to English-speaking people but also to that very large number of Hindus in India who do not speak the Hindi language and to whom English has become a very familiar medium."

The book is of special value to libraries, scholars and devotees of Tulsidas.

It has been issued in the following four editions:

- Original text of Tulsidas with translation in English verse; three volumes; 1468 pages; price Rs. 50 net.
- Translation in English verse; without Hindi text. two volume; 898 pages; price Rs. 40 net.
- Special tissue paper edition of I, one volume, price Rs. 100 net.
- Special tissue paper edition of II, one volume, price Rs. 100 net.

POSTAGE EXTRA

The Manager,
THE HINDUSTAN TIMES,
NEW DELHI.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

		Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
		Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48	..	306.1	377.5	281.6	286.4	456.2	308.2	..	..	..	..
1948-49	..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50	..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51	..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52	..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53	..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54	..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.6
1954-55	..	330.8	436.2	350.3	377.3	612.4	377.4	90.5	100.7	88.4	113.0
May 1955	..	276.1	396.4	329.6	374.6	544.6	342.0	90.7	100.7	87.8	112.9
June	..	281.8*	390.4	329.7*	370.0	567.4*	342.5*	90.8	100.6	87.5	113.2
July	..	309.7*	408.1*	329.6	370.9*	562.6*	355.6*	90.9	100.7	87.8	117.9
August	..	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.8	122.8
September	..	313.0	396.1	324.8*	368.8	556.3	353.2	90.9	100.7	87.2	122.8
October	..	315.7	403.7*	329.8	371.2	559.3	357.2*	91.0	100.7	87.2	124.5
November	..	326.5	418.9*	338.1	373.3	543.3*	365.0*	91.0	101.0	87.7	129.9
December	..	323.7*	438.3	346.6	373.0	544.2	368.4	91.0	101.0	87.7	130.6
January 1956	..	333.4*	454.2*	353.5*	375.2	540.0*	376.0*	91.0	101.0	87.3	125.7
February	..	335.3	464.0	355.8	375.4	529.1	378.3	91.3	101.1	86.7	121.0
Week Ending	..										
3-3-1956	..	343.1*	462.7*	361.3	375.4	528.5*	381.8*	90.9	101.1	85.7	120.2
10-3-1956	..	339.8	473.3	365.8	376.2	511.1	382.7	90.8	101.1	85.9	121.1
17-3-1956	..	354.0	474.6	369.5	375.3	512.9	388.3	90.9	101.1	85.9	122.4
24-3-1956	..	362.9	484.6*	374.8	373.9*	494.3	392.8	90.9	101.1	85.8	123.6
27-3-1956	..	358.8	477.8	375.0	373.4	494.1	390.2	90.9	101.1	85.7	124.6

* Average of weeks.

* Revised

†Economic Adviser's Series.

††Reserve Bank Series.

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS
(August 1939=100)

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	323	371	364	133	321	134	135	132
1955 June	317	333	211	123	317	347	359	131	311	131	129	130
July	324	340	224	129	325	371	364	136	316	134	134	132
August	325	341	229	134	329	375	367	137	318	136	138	134
September	317	333	224	133	327	373	367	133	322	138	137	132
October	315	331	225	134	334	385	369	134	323	139	139	134
November	314	330	229	136	339	392	369	138	327	144	141	135
December	312	332	230	140	329	393	375	143	334	148	141	135
1956 January	—	334	—	139	—	404	—	—	334	—	—	—
February	—	337	—	137	—	394	—	—	—	—	—	—
March	—	—	—	—	—	398	—	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	14-4-1956			7-4-1956			31-3-1956			24-3-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	106- 4	104- 5	105- 6	105- 8	103- 2	104- 1	106- 7	104-15	105- 9	107- 1	104- 2	105-13
Silver (per 100 fine tolas)	181- 3	178-10	179-14	181-13	177- 9	179- 4	183-13	181- 0	182- 1	183- 1	179- 8	181-12

RESERVE BANK OF INDIA
ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b + c)	(b + c) as Percentage of (a)	Rupce Coin	Rupce Securities	Total Assets
1938-39*	182.36	28.28	210.64	44.42	86.95	111.37	52.91	87.11	32.16	210.64
1947-48*	1,227.82	47.12	1,274.95	44.42	1,135.32	1,179.74	92.53	32.36	62.84	1,274.95
1948-49*	1,231.84	22.02	1,253.86	42.49	907.47	949.96	75.43	42.96	265.62*	1,253.86
	(5.58)	(—)	(5.58)					(90)		(5.58)
1949-50*	1,128.94	24.00	1,152.94	40.02	647.04	687.06	59.59	50.53	415.36	1,152.94
1950-51*	1,163.21	17.19	1,180.40	40.02	624.70	664.72	56.31	57.21	458.47	1,180.40
1951-52*	1,189.84	27.78	1,217.62	40.02	625.27	665.29	54.64	63.98	488.36	1,217.62
1952-53*	1,114.84	27.87	1,142.72	40.02	564.40	604.42	52.89	80.22	458.08	1,142.72
1953-54*	1,133.95	23.03	1,156.97	40.02	594.02	634.04	54.80	92.83	430.11	1,156.97
1954-55*	1,197.05	22.98	1,219.17	40.02	648.90	688.91	56.47	102.25	428.61	1,360.17
Average of Fridays										
August 1955	1,299.00	26.50	1,325.50	40.02	633.29	673.29	50.79	108.24	543.69	1,325.50
September "	1,290.78	23.49	1,314.27	40.02	668.82	708.84	53.93	110.51	494.93	1,314.27
October "	1,303.25	10.87	1,315.39	40.02	632.07	672.08	51.09	110.95	531.18	1,314.22
November "	1,327.06	14.27	1,341.33	40.02	642.08	682.09	50.85	109.38	549.84	1,341.32
December "	1,350.04	10.13	1,360.17	40.02	662.98	703.00	50.95	108.56	548.61	1,360.17
January 1956	1,384.06	16.67	1,400.73	40.02	679.49	719.52	51.37	106.52	574.69	1,400.73
February "	1,402.42	9.14	1,411.56	40.02	663.40	703.43	49.83	104.90	603.24	1,411.56
March "	1,446.41	11.13	1,457.54	40.02	676.87	716.89	49.20	103.18	637.47	1,457.54
Week Ending										
9-3-1956	1,444.09	8.87	1,452.96	40.02	697.16	737.18	50.74	102.56	613.23	1,452.96
16-3-1956	1,443.86	14.42	1,458.27	40.02	672.32	712.34	48.88	102.93	648.01	1,458.27
23-3-1956	1,453.78	9.84	1,463.62	40.02	676.29	716.31	48.94	103.28	644.04	1,463.62
30-3-1956	1,466.64	11.77	1,478.41	40.02	656.42	696.44	47.11	103.16	678.82	1,478.41
6-4-1956	1,506.69	14.78	1,521.47	40.02	686.42	726.44	47.75	106.28	688.75	1,521.47

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Bank*	Others	Total									
1938-39*	14.90	..	16.19	75	31.84	1.28	43.12	28.38	1.53	4.21	1.72	2	6.36	90
1947-48*	366.79	16.93	102.47	34.21	520.40	14.55	544.96	47.24	2.82	406.95	1.57	21	81.53	4.85
1948-49*	222.17	6.62	80.83	56.52	393.72	15.33	419.05	22.12	4.28	307.78	1.71	3.34	76.65	4.14
	(14.33)	(3.04)									(1)			
1949-50*	141.19	23.12	67.00	64.39	295.69	16.76	321.45	24.12	4.30	280.91	3.35	8.39	960.54	4.34
1950-51*	148.60	17.71	62.22	62.29	290.82	18.14	318.97	17.31	3.04	107.70	2.37	6.77	76.72	5.06
1951-52*	181.30	15.95	58.68	69.22	325.15	18.62	353.77	27.92	6.31	187.14	5.90	19.42	95.19	11.91
1952-53*	136.40	7.79	63.69	61.93	259.82	23.69	292.71	28.03	6.64	133.56	2.85	19.03	89.77	12.83
1953-54*	105.44	23.40	46.52	57.45	232.80	23.91	266.72	23.22	9.46	123.31	1.78	19.84	81.58	7.61
1954-55*	99.13	20.66	55.20	36.29	201.28	23.62	234.90	23.24	6.10	87.53	1.14	26.55	80.52	9.82
Average of Fridays														
June 1955	55.64	12.33	50.02	21.89	139.88	43.80	194.44	18.10	12.78	63.67	100	28.61	39.55	29.98
July "	76.93	17.83	50.62	19.03	164.40	32.13	206.52	29.47	9.53	69.84	88	32.44	58.34	6.02
August "	87.33	20.66	51.35	20.28	179.12	30.62	219.74	26.64	9.90	86.25	1.92	25.04	62.18	7.74
September "	60.36	18.28	55.51	16.91	151.06	21.26	182.32	23.63	13.68	51.57	1.02	28.64	52.13	11.65
October "	60.15	23.59	61.12	15.97	160.84	25.92	186.76	11.10	9.30	72.93	76	20.52	50.24	12.17
November "	54.93	14.81	58.52	15.46	143.67	29.71	183.43	14.40	7.37	80.46	2.32	24.17	50.09	12.21
December "	54.13	8.44	57.88	15.97	136.01	34.76	181.17	10.25	8.11	63.93	3.97	31.67	50.49	12.76
January 1956	53.56	12.51	59.90	17.49	142.53	48.77	193.81	16.82	9.33	56.74	2.82	43.77	51.13	13.21
February "	61.12	13.65	56.38	15.85	147.00	59.59	206.59	9.27	3.50	72.81	3.41	53.41	49.71	14.40
March "	57.61	37.22	49.25	16.93	159.51	59.25	220.30	11.26	9.63	65.31	1.60	73.88	39.44	17.33
Week Ending														
9-3-1956	54.31	10.55	47.41	16.88	129.15	57.77	186.92	9.01	10.02	40.62†	4.37	68.25	37.62	17.04
16-3-1956	55.64	46.95	46.54	17.04	166.18	60.48	226.66	14.56	10.11	70.72†	34	76.26	37.54	17.12
23-3-1956	53.69	48.52	49.72	17.25	169.18	61.26	229.43	9.99	11.19	71.54†	20	81.67	37.42	17.42
30-3-1956	67.34	62.03	53.24	16.68	199.30	59.46	258.77	11.92	12.23	89.72†	—	79.94	47.19	17.77
6-4-1956	57.10	35.70	63.42	17.35	163.56	58.11	221.68	14.94	13.57	62.09†	1.35	64.82	46.83	18.07

* Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up Reserve Fund. *Average of Fridays. †Includes cash and short term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5 + 6) as percentage of (4)	Advances	Bills Discounted	(8 + 9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2 + 3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39*	123.81	103.30	227.11	6.38	15.88	9.80	111.34	460	51.05	..
1947-48*	706.65	343.89	1,050.54	39.92	100.81	13.40	427.54	16.82	42.30	..
1948-49*	674.56	303.84	978.44	37.51	76.63	11.67	424.85	16.44	45.10	..
1949-50*	597.79	272.59	870.38	34.47	65.85	11.53	426.74	15.35	50.79	..
1950-51*	599.13	278.45	877.59	34.68	60.78	10.88	447.03	11.87	52.29	..
1951-52*	593.73	290.82	884.55	37.33	57.29	10.70	523.59	22.81	63.06	303.48
1952-53*	546.23	309.26	855.49	33.33	51.82	9.95	461.64	38.47	60.48	306.34
1953-54*	526.75	328.26	855.00	31.97	44.48	8.98	442.79	51.40	59.56	321.29
1954-55*	559.62	351.86	911.55	32.66	53.91	9.50	468.39	84.06	62.08	339.74
Average of Fridays										
September 1955	604.02	413.69	1,017.87	33.22	54.14	8.58	498.19	106.18†	61.15	381.86
October "	612.82	422.93	1,035.77	33.98	59.64	9.94	484.87	103.51†	59.24	390.42
November "	612.61	423.85	1,036.46	35.22	57.05	8.90	491.93	105.90†	59.79	393.43
December "	613.68	422.24	1,035.92	38.93	58.38	9.30	503.02	107.60†	61.04	390.56
January 1956	638.02	411.70	1,049.72	36.96	56.92	8.94	533.75	130.85†	64.21	382.55
February "	631.25	415.19	1,046.45	35.18	54.67	8.59	551.12	138.15†	66.56	378.04
March "	622.44	415.29	1,037.72	34.83	48.43	8.10	589.55	144.16†	71.41	364.86
Week Ending										
9-3-1956	612.28	416.77	1,029.04	33.91	48.09	7.97	578.02	143.13†	70.51	364.74
16-3-1956	615.80	413.74	1,029.53	35.26	47.03	8.00	590.96	144.05†	71.83	363.84
23-3-1956	625.20	412.92	1,038.12	34.03	46.42	7.81	601.89	147.84†	72.63	362.13
30-3-1956	635.99	414.32	1,050.31	35.57	49.12	8.06	612.43	148.37†	73.05	360.07
6-4-1956	651.20	418.56	1,069.76	38.29	51.77	8.70	607.04	149.75†	71.29	359.55

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY IN INDIA

(Lakhs of rupees.)

Last Friday		Money supply	Total currency with the public	Deposit money with the public			Total variations in money supply
				Total	Demand liabilities of banks	Total deposits with Reserve Bank (excluding those of central Govt. & Banks)	
(1)		(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1952-53	..	1,784.55	1,199.25	585.30	548.05	36.35	- 44.30
1953-54	..	1,856.57	1,229.43	627.14	549.83	77.30	+ 72.02
1954-55	..	1,980.90	1,311.77	669.13	599.18	69.97	+ 124.33
January	1955	1,877.73	1,245.91	631.82	601.04	30.78	+ 28.84
February	"	1,915.34	1,272.35	643.09	610.04	32.96	+ 37.61
March	"	1,980.90	1,311.77	669.13	599.16	69.97	+ 65.56
April	"	2,003.14	1,342.90	660.23	614.26	45.98	+ 22.24
May	"	1,989.50	1,348.41	641.09	616.96	24.12	- 13.64
June	"	1,988.42	1,343.74	644.67	623.43	21.24	- 10.8
July	"	1,974.91	1,324.80	650.11	619.53	30.58	- 13.51
August	"	1,995.61	1,314.74	650.88	632.86	48.02	+ 20.70
September	"	1,965.40	1,309.69	654.71	632.36	23.35	- 30.21
October	"	2,008.47	1,331.40	677.08	635.72	41.35	+ 43.07
November	"	2,014.88	1,351.24	663.64	610.40	23.24	+ 0.41
December	"	2,059.37*	1,387.54*	671.83*	650.07*	21.77	+ 44.40*
January	1956	2,113.47*	1,407.83*	707.65*	674.74*	30.90	+ 54.10*
February	"	2,125.39*	1,435.67*	689.72*	662.29*	27.43	+ 71.92*

JUTE STATISTICS

JUTE CROP FORECASTS (Government of India & East Bengal)					SUPPLY AND DISTRIBUTION OF JUTE 1954-55 & 1955-56		
	Prelim. Area (000) acres	Final Forecast			Supply	1954-55 lakh bales	1955-56 lakh bales
		Area (000 acres)	Crop (000 bales)	Bales per acre			
1952-53 Total	35.16	37.24	114.28	3.07	OPENING STOCKS—		
East Bengal	17.59	19.07	68.23	3.58	1. J. M. A. Mills godown stocks	10.89	8.66
West Bengal	7.52	8.44	24.21	2.87	a. West Bengal Mills		
Rest of India	10.05	9.73	21.84	2.24	b. Mills outside West Bengal	0.43	0.41
					(estimate)	7.10R	2.60
1953-54 Total	20.58	19.56	56.32	2.88	Indian Carry Forward (estimate)		
East Bengal	7.89	7.60	25.03	3.29	Pakistan Carry Forward	16.90R	5.10
West Bengal	5.84	5.50	15.36	2.79	(estimate)		
Rest of India	6.85	6.46	15.93	2.46		35.32	16.77
1954-55 Total	26.38	24.86	75.90	3.05	Indian Union Jute crop		
East Bengal	13.04	12.43	46.62	3.75	(trade estimate)	42.40R	50.50
West Bengal	5.84	5.70	15.42	2.71			
Rest of India	7.50	6.73	13.86	2.06	Pakistan crop (Trade estimate)	47.40R	72.50
1955-56 Total	30.59	32.16	97.29	3.03	Total Supply	125.12	139.77
East Bengal	17.16	16.35	55.92	3.42	DISTRIBUTION—		
West Bengal	6.36	8.00	20.16	2.51	Mill Consumption—		
Rest of India	7.07	7.81	21.31	2.73	1. I. J. M. A. Mills (estimate)	58.63	61.55
					2. Outside Mills (estimate)	2.13R	2.23
						60.76	63.78
					Indian Domestic Consumption		
					(estimate)	2.10R	2.00
					Pakistan Exports Overseas		
					(estimate)	39.08	40.00
					Pakistan Dtic Consumption		
					omes (estimate)	6.90R	7.00
					Total Distribution	108.84	112.78
					Carry over at end of season	16.28	26.99

PRODUCTION OF GUNNIES

('000 Tons)

Year and Month	Hessian	Sacking	Total
July-June			
1952-53	3,47.7	5,10.4	8,91.5
1953-54	3,90.4	4,44.8	8,65.7
1954-55	3,99.2	5,57.5	9,94.8
1955 May	32.2	46.2	81.7
June	34.2	47.9	85.7
July	34.3	45.0	84.1
August	33.2	43.7	81.4
September	35.4	47.2	87.4
October	30.7	43.5	78.8
November	34.6	49.9	90.5
December	34.0	56.6	97.3
1956 January	30.3	52.6	88.9
February	32.0	54.7	92.8

(R) Revised.

WEEKLY PRICES OF JUTE AND GUNNIES AT CALCUTTA

DATE				JUTE								GUNNIES					
				Assam				Pak. Jute				First Marks for mill (Indian)		Hessian 40"10 oz. (Ready)		Sackings B. Twill (Ready)	
				Middle		Bottom		Middle		Bottom							
				Rs. per md.				Rs. per md.				Rs. per bale		Rs. per 100 yds.		Rs. per 100 bags	
				Rs.	A.	Rs.	A.	Rs.	A.	Rs.	A.	Rs.	A.	Rs.	A.		
1955	7th	February	..	41	8	38	8	45	0	41	0	235	0	47	14	130	10
	14th	"	..	42	8	39	8	46	0	42	0	240	0	48	4	133	10
	21st	"	..	41	0	38	0	45	0	41	0	235	0	47	0	129	4
	28th	"	..	40	8	37	8	44	0	40	0	230	0	46	5	128	0
	7th	December	..	29	8	26	8	31	0	28	0	175	0	40	13	114	8
	14th	"	..	30	0	27	0	31	8	28	8	180	0	40	12	113	8
	21st	"	..	30	12	27	12	31	8	28	8	185	0	40	5	112	4
	28th	"	..	30	0	27	0	31	8	28	8	185	0	41	8	113	12
1956	3rd	January	..	31	0	28	8	32	8	29	8	190	0	41	10	114	12
	9th	"	..	32	8	29	8	34	0	31	0	195	0	42	4	117	0
	16th	"	..	31	8	28	8	33	0	30	0	190	0	41	4	114	8
	23rd	"	..	32	8	29	8	35	0	32	0	200	0	40	14	113	8
	30th	"	..	32	0	29	0	34	8	31	8	195	0	40	7	111	4
	6th	February	..	34	0	31	0	37	0	34	0	210	0	40	12	114	4
	13th	"	..	33	0	30	0	37	0	34	0	200	0	40	8	113	4
	20th	"	..	33	0	30	0	36	8	33	8	200	0	40	7	114	0
	27th	"	..	32	8	29	8	36	8	33	8	200	0	40	6	114	4

CENSUS OF MANUFACTURING INDUSTRIES

1947-53

	1947	1948	1949	1950	1951	1952	1953
1. No. of registered factories in existence ..	5,632	6,144	6,758	7,099	6,978	7,155	7,104
2. Factories from which returns were received ..	4,872	5,690	6,250	6,605	6,309	6,470	6,399
3. Percentage of (2) to (1) ..	87	83	92	93	92	90	90
4. Fixed Capital Employed (Rs. lakhs.) ..	1,77,17	1,95,65	2,27,63	2,58,15	2,75,19	3,00,94	3,24,92
5. Working Capital Employed (Rs. lakhs.) ..	2,26,27	2,86,54	2,81,95	3,56,38	4,37,82	4,29,83	4,03,74
6. Total Capital Employed (Rs. lakhs) (5+4) ..	4,03,44	4,82,19	5,09,58	6,14,53	7,13,00	7,30,77	7,28,65
7. No. of Workers Employed (Thousands) ..	14,87	15,46	15,22	14,68	14,78	14,96	14,71
8. No. of persons other than workers employed (Thousands) ..	1,46	1,59	1,63	1,64	1,54	1,53	1,57
9. Total numbers of persons employed (7+8) ..	16,32	17,04	16,85	16,32	16,33	16,48	16,28
10. Wages paid to workers (Re. lakhs) ..	1,08,89	1,34,67	1,45,34	1,36,47	1,53,47	1,62,71	1,64,74
11. Salaries paid to persons other than workers (Rs. lakhs) ..	21,47	26,14	28,90	32,05	32,09	33,78	35,44
12. Money value of other benefits or privileges (Rs. lakhs) ..	5,34	5,00	2,95	3,65	3,63	4,25	5,03
13. Total salaries and wages paid (Rs. lakhs) (10+11+12) ..	1,35,71	1,65,82	1,77,19	1,72,17	1,89,19	2,00,75	2,05,21
14. Value at factory of materials, fuels etc. (Rs. lakhs) ..	4,85,42	6,19,02	6,85,73	7,22,31	9,36,32	8,43,77	7,60,90
15. Value of work done for factories by other concerns (Rs. lakhs.) ..	2,80	3,30	3,27	3,88	4,35	4,42	5,11
16. Depreciation (Rs. lakhs) ..	12,63	13,99	16,35	17,89	18,98	20,76	22,51
17. Total of materials and fuels consumed and depreciation (Rs. lakhs) (14+15+16) ..	5,00,85	6,36,31	7,03,38	7,44,08	9,59,65	8,68,94	7,88,52
18. Factory value of products and by-products (Rs. lakhs) ..	7,37,24	9,46,94	9,69,37	10,23,43	13,02,18	11,74,66	11,12,67
19. Value of work done for customers, (Rs. lakhs) ..	5,74	6,71	6,70	4,59	4,68	9,30	10,11
20. Total of products and by-products manufactured for sale (Rs. lakhs) (18+19) ..	7,43,03	9,53,65	9,76,07	10,28,01	13,06,86	11,83,97	11,22,78
21. Value added by manufacture (Rs. lakhs) ..	2,42,18	3,17,34	2,72,69	2,83,93	3,47,21	3,15,03	3,34,25
22. Value added as percentage of productive capital ..	—	—	53.6	46.2	48.7	43.1	45.9
23. Value added per person employed (Rs. Thousand) ..	—	—	16.18	17.39	21.27	19.11	20.53
24. Value added as percentage of gross output ..	—	—	27.9	27.6	26.6	26.6	29.8

CENSUS OF MANUFACTURING INDUSTRIES

Capital, Employment and Output according to the Size of Factories denoted by the number of workers employed

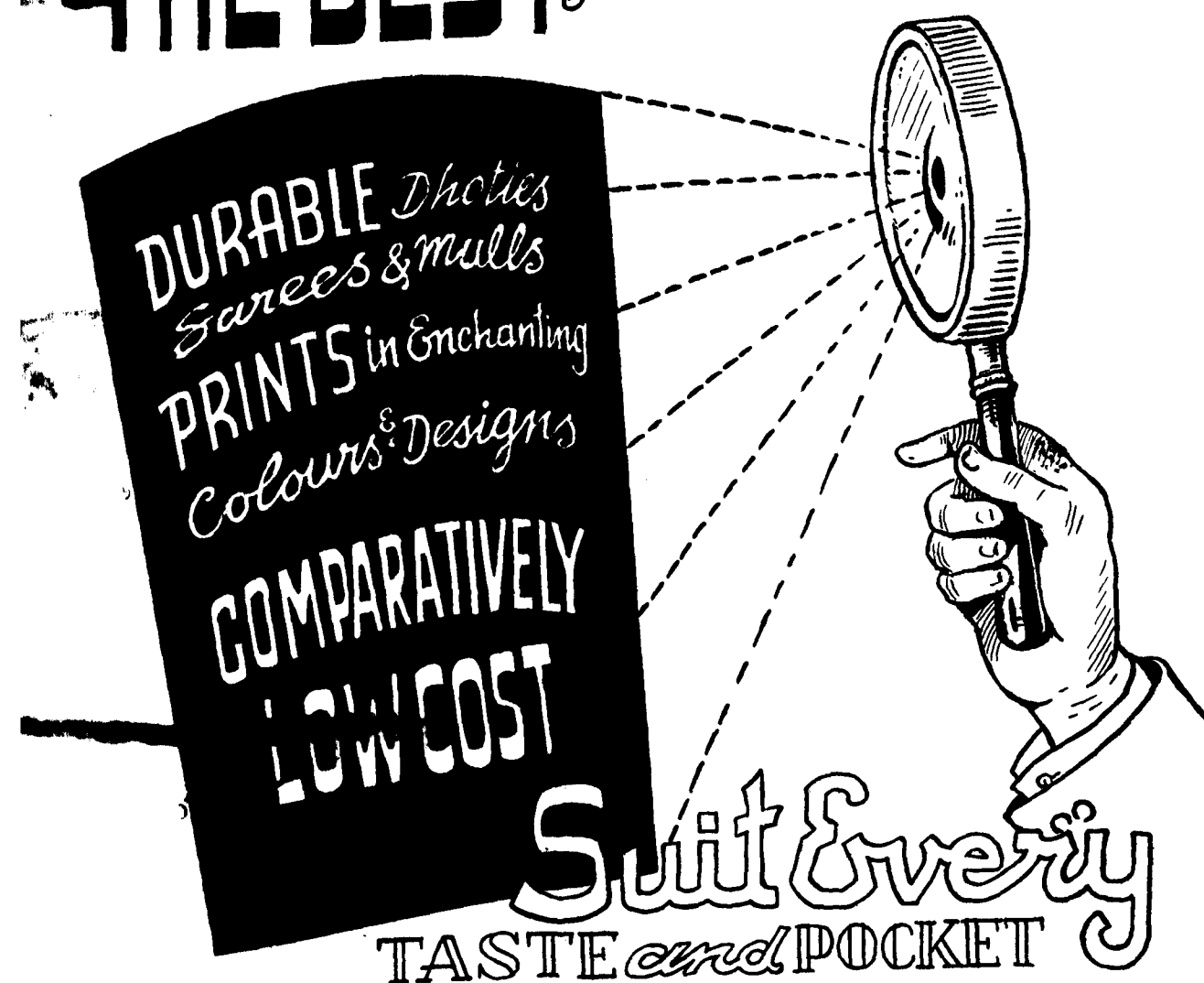
	Below 20	20-49	50-99	100-249	250-499	500-999	1000-1,999	2,000-4,900	5000-	Total
(1) Factories from which information was received (No.)	1,474	2,357	1,121	565	222	207	221	198	35	6,399
Percentage	23.0	36.8	17.5	8.8	3.5	3.2	3.5	3.1	0.6	100.0
(2) Fixed Capital (Rs. lakhs)	9,52	17,85	16,15	25,78	25,51	47,30	48,52	71,54	62,75	324,92
Percentage	2.9	5.5	5.0	7.9	7.8	14.6	14.9	22.0	19.4	100.0
(3) Working Capital (Rs. lakhs)	3,19	15,06	16,19	23,43	26,16	48,42	85,07	122,07	64,15	403,74
Percentage	0.8	3.7	4.0	5.8	6.5	12.0	21.1	30.2	15.9	100.0
(4) Total Capital (2+3) (Rs. lakhs)	12,71	32,91	32,34	49,22	51,66	95,72	133,60	193,60	126,90	728,65
Percentage	1.7	4.5	4.4	6.8	7.2	13.1	18.3	26.5	17.5	100.0
(5) Number of workers employed (1000)	13	65	65	75	69	1,33	2,97	5,50	2,05	1,471
Percentage	0.9	4.5	4.4	5.1	4.7	9.0	20.1	37.4	13.9	100.0
(6) Persons other than workers (1000)	3	13	12	13	10	19	30	37	20	157
Percentage	2.2	8.0	7.8	8.0	6.2	12.3	19.0	23.6	12.9	100.0
(7) Total Persons employed (5+6) (1000)	16	78	77	87	79	152	326	587	225	1,628
Percentage	1.0	4.8	4.7	5.4	4.8	9.4	20.0	36.1	13.8	100.0
(8) Total Salaries, wages and other benefits (Rs. lakhs)	1,09	5,25	5,93	8,65	9,24	16,41	40,96	79,27	38,44	205,21
Percentage	0.5	2.6	2.9	4.2	4.5	8.0	20.0	38.6	18.7	100.0
(9) Gross Output (Rs. lakhs)	10,79	75,94	77,69	88,98	76,14	113,19	210,75	316,07	153,23	1,122,78
Percentage	1.0	6.8	6.9	7.9	6.8	10.1	18.8	28.1	13.6	100.0
(10) Materials Consumed and depreciation (Rs. lakhs)	9,86	67,50	68,05	74,39	58,14	78,79	140,16	261,25	90,08	788,52
Percentage	1.3	8.6	8.6	9.4	7.4	10.0	17.3	25.5	11.4	100.0
(11) Value added by manufacture (Rs. lakhs)	92	8,45	9,84	14,59	17,70	34,40	70,59	114,82	63,15	334,25
Percentage	0.3	2.5	2.9	4.4	5.3	10.3	21.1	34.3	18.9	100.0

FACTORIES CLASSIFIED ACCORDING TO TYPE OF OWNERSHIP 1953

	Individual Proprietors	Partnership firms	Limited Companies			Others	Grand Total
			Private	Public	Total		
(1) Factories from which information was received	1,379	2,266	1,325	1,223	2,548	207	6,399
Percentage	21.5	35.4	20.7	19.1	39.8	3.3	100.0
(2) Fixed Capital (Rs. lakhs)	7,78	18,74	61,04	228,86	289,89	8,50	324,92
Percentage	2.4	5.8	18.8	70.4	89.2	2.6	100.0
(3) Working Capital (Rs. lakhs)	5,81	24,48	53,27	307,93	361,20	12,24	403,74
Percentage	1.4	6.1	13.2	76.3	89.5	3.0	100.0
(4) Total Capital (2+3) (Rs. lakhs)	13,60	43,23	114,30	536,79	651,09	20,74	728,65
Percentage	1.9	5.9	15.7	73.7	89.4	2.8	100.0
(5) Number of workers employed (1000)	41	108	147	1,140	1,286	35	1,471
Percentage	2.8	7.4	9.9	77.5	87.4	2.4	100.0
(6) Persons other than workers (1000)	6	16	23	105	128	6	157
Percentage	4	10.4	14.9	67.1	82.0	3.6	100.0
(7) Total Persons employed (5+6) (1000)	47	125	170	1,245	1,415	40	1,628
Percentage	2.9	7.7	10.4	76.5	86.9	2.5	100.0
(8) Total Salaries, wages and other benefits (Rs. lakhs)	2,96	8,98	20,61	168,27	188,88	4,40	205,21
Percentage	1.4	4.4	10.0	82.0	92.0	2.2	100.0
(9) Gross Output (Rs. lakhs)	32,83	127,29	162,75	782,95	945,70	16,96	1,122,78
Percentage	2.9	11.3	14.5	69.7	84.2	1.6	100.0
(10) Materials Consumed and depreciation (Rs. lakhs)	28,40	113,01	119,92	516,04	635,96	11,16	788,52
Percentage	3.6	14.3	15.2	65.4	80.6	1.5	100.0
(11) Value added by manufacture (Rs. lakhs)	4,42	14,28	42,84	266,91	309,75	5,80	334,25
Percentage	1.3	4.3	12.8	79.9	92.7	1.7	100.0

Products Of
The **BIRLA COTTON SPINNING**
AND
WEAVING MILLS. LTD., DELHI.

THE BEST *from* ALL POINTS OF VIEW



M. J. Agents
BIRLA BROTHERS LTD.

ATUL

DYES CHEMICALS PHARMACEUTICALS



ATUL PRODUCTS LIMITED

ATUL, 100, R.C. S.R., Western Railway

With a Supplement

on
THE OIL INDUSTRY

The Eastern Economist

VOL. XXVI. NO. 17.

NEW DELHI: APRIL 27, 1956.

PRICE RS. 1/8.

CONTENTS

	Page		Page
Leading Articles:		A LETTER TO THE EDITOR	674
THE APPLE OF DISCORD	665	WORLDGRAM AND NEWS IN BRIEF	675
THE WORLD BANK MISSION	667	The Business World:	
ADVERTISING AND THE PLAN	668	Deterrents to Development	679
THE WEEK'S NOTES	669	BUSINESS NOTES	683
Curtain Down on the Cominform; Soviet Leaders in Britain; The Riddle of States' Reorganisation; The Finance Bill; ICS Salaries—Petty-Minded Approach; Education Ministry and its Critics.		Operation Speculation; Progress of Civil Aviation; Another Record Year for Dunlop; Reorganising Coir Industry; Outlook for Hemp.	
A WINDOW ON THE WORLD:		COMPANY AFFAIRS	687
Odysseus on "The Economic Value of Unequal Rewards"	671	COMMODITY NEWS AND NOTES	688
SPAIN AND FRANCE IN NORTH AFRICA	673	STATISTICS	691

The Apple of Discord

BOMBAY has become India's apple of discord. Throughout the States Reorganisation Commission Bill debate in the Lok Sabha this week it returned, again and again the only deep dis-

turbing element in what was, on the whole, an amicable battle of wits. Credit is due to Maharashtra Members of Parliament for the relative moderation with which they stated their case, a

moderation so different from the violence of language and the passion in thought and deed, which has previously done so much to prejudice their reputation in the minds of large sections of the Indian people. Because of the calm which is now descending on both sides in the Bombay dispute, the time is opportune for a settlement of this vexatious issue which, it might be said, is fraught with consequences graver than any that face the immediate internal political life of the country. Because of these considerations the meeting of Congress Members of Parliament from Maharashtra with the Prime Minister on Friday evening was believed to have been an event justifying the delay in the publication by a few hours of the current issue of *The Eastern Economist*. It was hoped that there would be good news to report and greater goodwill to anticipate.

These high hopes have been, to some extent, belied; for the Prime Minister refrained from committing himself to any definite statement although he seems to have said he shared the "agony" of Maharashtrian leaders and was anxious to find an amicable solution. So to state the political problem of Bombay is greatly to underestimate the consequences of indecision in the political life of the country. It is foolish not to recognise that the whole of Maharashtra will stake everything on a claim to Bombay. If that claim is not admitted—and on the face of it, it is difficult in principle to reject it—the reverse to the Congress Party in Maharashtra in the general elections next year will be tremendous. A vast political problem will then be imposed on the administration of Maharashtra, quite apart from the merits of the Bombay dispute. It is earnestly to be asked of the Prime Minister and the Home Minister, who hold the key to the situation, whether they have appreciated not merely the agony of the Maharashtrians, but the danger to India as a whole from a display of political discontent which has had no parallel in the country since Independence.

The issue of prestige is not easily overcome even though the Prime Minister stated on Friday that "prestige" would not stand in the way. Indian Governments, particularly based on a law and order conception of administration, have been very prone to treat prestige as a deciding factor in many administrative decisions. In historical perspective this was justified. So long as one had an irremovable executive, prestige was a measure of the determination with which that executive was proposing to govern. In other words, prestige was in those days a sound political principle, being in fact nothing more or less than a condition of ultimate survival.

It is not often recognised that this principle of survival has no application in a democratic government. Democratic governments do not, indeed, have a right to survival. Certainly, they do not have a right to survival on the merits of a particular case, however rational and convincing that case may be to the intelligentsia or to objective observers in any country or time. A democratic government accepts the verdict of its people as the supreme argument. Since the verdict of the people can run counter at any time both to rationality and good administration, the implication must be that any democratic government admits the superior right of the people to determine policy. Once the condition is accepted, the executive has no right to claim that

prestige requires that it should not surrender to a people's case. Since the theory of democratic government is government by consent of the people, any order contrary to the wishes of the people should be politically inappropriate and administratively unwise.

This argument applies with full force to the Bombay case. There is no doubt that if the present decision of the Government of India is implemented as it stands, there will be a major vote of displeasure against the Congress Party. In other words, in Maharashtra the people will vote solidly against the Congress and may vote partly for the Communist Party of India. If the decision were reversed to the point of giving Bombay to Maharashtra after a set period, and allowing the Maharashtrian Government to function from Bombay, there is no indication that there would be equal displeasure in Gujarat. On balance—and all democratic balloting is on balance—the people's voice certainly stands against the present formula. This being so, the adherence to the present formula would be an egregious political error.

To admit that both political principle and political expediency require that the current formula should be changed is not to deplore all the errors that have been made in arriving at the present tortuous decision. The Maharashtrian leaders cannot absolve themselves of responsibility. The speeches of men like Mr. N. V. Gadgil at a time when passions were being roused were of a kind which has convinced most honest observers of the scene that he is a leader unfit for high responsibility, and his removal from high office at the Centre was a sound political judgment, however unjust it looked at the time. Again, though this belongs to a quite different category, India's Finance Minister, Sir Chintaman Deshmukh has greatly reduced his stature in the minds of his many admirers by the trivial manner in which his resignation from his high office has been frequently tendered in recent years. On each of these issues, if, indeed, these were issues for a resignation, the Finance Minister should have underlined his determination to leave office by departing, not by staying at home. Too often in the last two years he has made it appear that his central place in the Finance Ministry has been used merely as a bargaining counter to impose his views on the Central Government. The great office of the Finance Minister of India has thus been brought into disrepute.

It is good that these sorry episodes are coming to an end. It is sincerely to be hoped that the Government of India will in the next week announce a decision, after consultation with Gujarat interests, which will either restore the bilingual State—the case for which was splendidly stated by Mr. Tulsidas Kilachand in his speech on the Bill this week—or arrange to give the Maharashtrian leaders the assurances on Bombay necessary to allay their agony and the deep distrust of the Prime Minister and his advisers which has been sown on a grand scale in a strategic portion of the Indian Union. This is the time when Indian patriots must stand behind any decision, however injurious it might be to prestige and the personal position of our leaders, in order to draw the country together with a single heart and a great will to accomplish the tasks which face the nation as a whole.

The World Bank Mission

DURING its long and fruitful period of relationship as a lender with India, the World Bank has sent many fact-finding missions to survey individual projects on which its assistance has been utilised in the past. The Bank's representatives have thus had opportunities of inspecting not only the manner in which the Bank's assistance has been made use of but also the development that has been made possible otherwise than through such assistance. But there is special significance in the arrival of a special Mission of the I.B.R.D. at this time to study the growth of the Indian economy with a view to formulating plans of assistance under India's second Five-Year Plan. On the one hand, the Indian economy today is in better shape for making such assessment; on the other, the I.B.R.D. has now acquired considerable experience as a result of surveys conducted in many other underdeveloped countries and can show greater insight in understanding the various forces now at work in this country. The I.M.F. undertook a similar Mission some time ago and came out with a penetrating analysis of the problems of "development with stability", but that Report was largely governed by considerations of sound monetary policy to which the Fund has of necessity to give priority. A wider view can now be taken by the Bank Mission and its conclusions, based on a tour of this country in the next two months, will be awaited with interest.

The Deputy Leader of the Mission, Mr. J. C. De Wilde has emphasised that the fundamental thing to be observed is the rate of growth of India's economy and its future economic prospects. On both these aspects, there have not been serious differences of opinion. The rate of growth under the first Plan has exceeded original expectations and the official estimate of an increase of national income over the last five years of about 18 per cent errs considerably on the side of caution. Exact computations of the actual difference may not be possible by statisticians but indications have not been wanting to show that in the uncharted sectors of the economy the tempo of activity has been on the increase. There has been a rise in consumption, particularly of food grains and cloth, which, as a symptom of a widening market, is some proof of the development that has been achieved.

These hopeful features continue to operate today when India is on the threshold of a second Five-Year Plan which is much more ambitious than the first one. The real problem today is whether the process of planning would help to maintain and increase the momentum that has already been given to the economy by enabling large-scale investment in industrialisation and in transport—the two vital sectors in which development has now to concentrate. By their nature, development projects in these fields require external assistance in terms of materials and of technical knowledge. Attempts to help India's second Five-Year Plan must largely concentrate on providing these two ingredients of development. The problem of supplying materials may for the major part involve only a problem of providing the finance and here the World Bank can be of great assistance; but to the extent to which India competes for supply of scarce materials like steel, the Bank's role may be only secondary.

The World Bank has all along approached these problems of assistance to underdeveloped countries with a definite philosophy of aid, though, from time to time, changes have been effected according to the prevailing circumstances in particular countries. In this context, the current controversy in this country over the relative importance of the two sectors is unlikely to escape the Bank Mission's attention. On earlier occasions, the Bank has shown a positive inclination to favour the promotion of private enterprise in fields in which the State's obligation to provide social overheads like transport was not involved. It has been known for example that the World Bank was not quite friendly to aiding the Rourekela steel plant in which public sector is the major participant. Though no aid may be necessary for this or the other two steel units, it has become a cardinal feature of industrial policy—and this is likely to be re-emphasised in a short time by the revised policy now on the anvil—that the public sector must have a controlling interest in many other fields too, like heavy machinery, coal and fertilisers.

These may not accord with the principles of the Bank, but in the last resort these are decisions that have come to be accepted under the established democratic process in the country; and the aversion to the ideology behind the decisions should not deter the Bank from taking most constructive view of its policy of aid even under such conditions. The World Bank independently through its participation in the Industrial Credit and Investment Corporation is in a position to fulfil its other role of promoting free enterprise. The expansion of the public sector as now proposed may in many cases even be an essential pre-requisite to the growth of the private sector. While the projects themselves are being undertaken by Government, their indirect effect is to widen the scope for orders to the private sector for construction and supplies; also the increase in incomes creates a market for products of private manufacture which acts as an incentive for larger production.

The Bank may not fail to point out that it is still possible to promote dispersal of decisions subject to overall programming under a Plan, particularly when it is asked to undertake overall financing for development, as in Australia. Its influence can perhaps be best exercised in practice; mere refusal to countenance the undue growth of the public sector may not be the best way.

No observer can fail to be disturbed by the existing gap between ambitions and resources in planning. Even the views of official spokesmen in the last few weeks have revealed some degree of anxiety. The answer to these doubts is not to limit ambitions. It is easy to prescribe a counsel of caution but that can hardly help; the experience of the last few years alone must be proof that caution will prevail when it is dictated by necessity. Meanwhile, the World Bank has an opportunity to make India a kind of case-study of a flexible type assistance. So far, the Bank has been the second most important agency of external assistance in India's development; and it can still maintain its position in spite of India's looking more and more to other agencies and areas for collaboration and aid.

Advertising and the Plan

IN the second Five-Year Plan publicity on an organised basis has been assigned a distinct place. For this purpose the draft outline has proposed an allocation of Rs. 7 crores. The programme of publicity has been conceived after an integrated pattern in which diverse media will be selected to suit particular regions or sections of populations to inform and educate public opinion on the objectives of specific schemes of development. The experience of the first Plan has brought home, though still inadequately, the imperative necessity of sustaining a rational campaign of publicity as an effective instrument to enlist the co-operation of the people.

This changed outlook on the technique of publicity comes in happy contrast with the traditional attitude which looked upon advertising as a component of wasteful patronage only. Publicity for State and public enterprises has normally received its full share, and even an excess of it on occasions; but the fact that it was carried out without being placed on a systematic basis, had concealed the extent to which the public sector had leaned upon it for popular appeal. Outside the domain of the public sector, there has lately been ample evidence of the importance of publicity as a valuable aid in pushing up the claims of handicrafts and cottage industry products. The direct outlay that is incurred in advertising these products at home and particularly in the markets abroad has been vindicated on the ground that this vulnerable segment of industry requires special attention in view of its employment potential in the rural and semi-urban areas. It is in fact not at all necessary to take a defensive attitude to explain the special measures taken to stimulate these industries. If they vindicate anything, it is the simple fact that advertising is an integral part of modern business and an essential aid to the promotion of industry.

It is paradoxical that there should be a good deal of hesitation in conceding the application of this dictum to large-scale industries. Perhaps this attitude is due in some measure to the mode of advertising adopted until recent times. Advertising in the past had tended to err on the side of overstatement which had been due to the fact that sound and rationalised techniques were usually not resorted to. Business men in this country have so far been slow in appreciating the value of scientific advertising as an aid to sales promotion. Misconception about the function of advertising has been responsible for this lack of appreciation, which also created a wrong belief that quality products need no publicity to make themselves readily acceptable to the consumer. This attitude often resulted in the allocation of inadequate or scanty funds for advertising an essential accompaniment of marketing. In an era of acute competition there is every need to educate and induce consumer preference even for products whose quality and price may leave no room for doubt.

The special attention which is being devoted to publicity in the public sector must serve to underline equal urgency for placing a new emphasis on advertising in the private sector. This urgency arises from certain special considerations which have an intimate bearing on the success of the implementation of the second Plan. The higher standards of living which must emerge in the wake of the new and expanding incomes will

mean a diversification of wants and a demand for goods which were hitherto not in popular demand. The traditional pattern of family budgets indicates that as big a slice as two-thirds of the total expenditure in the rural sector is taken away by food items while the proportion has been a little lower in the urban sector. The improvement in the standard of living which is expected in the periods of successive plans will shift the emphasis of demand and a wide range of consumer goods will find an expanding market. In the second Plan consumer goods will come in for heavier pressure also by virtue of their disinflationary effects.

The second Plan aims at changing the complexion of the economy by a deliberate switch-over to industrialisation. This process, necessarily to be extended over successive plan periods, will inevitably call for a corresponding change in consumption habits. Industrialisation in this country can be developed primarily on the basis of mass markets at home since even our exports may have to fall back on home demand in times of recession. A sustained mass market at home can be built only by cultivating consumer preferences in the right direction. It would be oversimplification of the situation to believe that production of goods possessing all the desired merits will command prompt patronage. In the complex economy of the present time, the manufacturer has also to explain how his products can satisfactorily answer the consumer's demand. This is precisely the function of advertising which it can succeed in discharging provided it is conducted on scientific and rationalised principles. It implies intensive market research and publicity in a manner that will carry genuine conviction with the consumer.

While different media of advertising open up a variety of choices, it can hardly be disputed that the most potential and the most far-reaching medium will be the press. This role of the press highlights an important obligation whose social significance is as important as its financial significance. Any official policy, therefore, which is likely to affect the capacity of newspapers to serve as expanding agencies of advertising cannot fail to cause concern to advertising interests. It is for this reason that Mr. Dharamsey M. Khatau, addressing this Wednesday's annual session of the Indian Society of Advertisers, made an earnest plea to the Government to refrain from any intervention calculated to curtail the ability of the press to provide adequate coverage for advertisements. The price-page schedule, recommended by the Press Commission, may seem to confer benefit on medium and small papers. But in the final analysis, newspaper circulation will have to be established on a basis of inherent appeal. Restriction on the size of newspapers cannot fail to produce adverse repercussions on their circulation. It is plain logic that contracting circulation must in course of time detract from the value of the newspaper as a potential advertising medium. Still another direction in which State intervention threatens to rear its head has been disclosed recently. It is to be trusted that the official directive which has influenced tyre companies to reduce their outlay on advertisements will prove a solitary instance. The eventual limit to be placed on expenditure by way of publicity had best be left to the discretion of the producer who can never ignore the revenue criterion.

THE WEEK'S NOTES

CURTAIN DOWN ON THE COMINFORM

THE TIMING of the dissolution of the Cominform announced by Mr. Mikoyan on April 17, is as significant as the act itself. When the Russian leaders were in Delhi, they were not ready to agree to the liquidation of this body, which had its origin in the Cold War, though they had by then accepted the Pancha Shila. There was, *prima facie*, an inconsistency between the adoption of the Five Principles and the maintenance of an agency actively interfering in other countries, including two in the Western World, France and Italy. Mr. Nehru had also indicated the incompatibility between the Pancha Shila and the continuance of the Cominform. The fact that no changes were made till now seems proof of the fact that the latest move is not a concession to the Indian point of view on the Pancha Shila though it might have added to Russian doubts about the value of the Cominform. On the other hand, the announcement of dissolution has been made on the eve of the visit of the two Russian leaders to London where the climate has not been propitious for an enthusiastic reception despite the successful preliminary goodwill tour of Mr. Malenkov. Mr. Malenkov could not have failed to impress on the Russian leaders the state of hostility and suspicion against Russia among the British people; or, perhaps, the 20th Congress of the Communist Party had already decided to liquidate the Cominform and to let Mr. Bulganin and Mr. Khrushchev use the decision to the best advantage at the appropriate time.

As one more step to better relations between the Communist and non-Communist worlds, the end of the Cominform can be hailed with satisfaction. It does not, however, mean that the tendency of Communist parties functioning in the countries of the Free World to adopt the Moscow line at any given moment—whether it is the exaltation or the denigration of a hero or a doctrine—would disappear. The extra-territorial loyalty of the Communist doctrine will continue to remain a powerful substitute for the Cominform. Or again, nothing would prevent its revival at a suitable opportunity, just as the Comintern which was dissolved in 1943 was resurrected with another name in 1947 when the Cold War began. It is not wise, however, to minimise the importance of this dissolution. Marshal Tito was one of its first victims and his virtual return to the Communist fold might also have necessitated the abolition of an agency which in the name of an Information Bureau practically dominated the satellite countries. The East European Communist States may, probably, have more freedom now than before in determining their local policies.

SOVIET LEADERS IN BRITAIN

MR. BULGANIN and Mr. Khrushchev will conclude their British tour this week and at the present moment it is difficult to say that the results achieved have been very significant. Their experience with the British public has not been encouraging and stands in contrast to the exhilarating welcome they had received in India, Burma and Afghanistan. Much of the coldness in the reception was only to be expected in view of the preceding controversy over the visit. The Malenkov mission was a great success in itself but it has not contributed to an easing of the prejudice against Mr. Khrushchev and Mr. Bulganin, who were mainly responsible for the anti-British statements during their Indian tour. At the Lord Mayor's luncheon of Guildhall, Mr. Khrushchev was in his best mood of persuasion on the subject of co-existence and the opportunity for exchanging opinions with Sir Winston Churchill appears to have been well utilised. An unexpected de-

velopment was the clash with British Labour leaders at the House of Commons dinner. Mr. Khrushchev's allegation that Britain had instigated Hitler to attack Russia could not have been a mere indiscretion, nor a reaction to the Labour leaders' demand for release of Social Democrats imprisoned in Communist countries.

It is possible to interpret it only as a refusal by Mr. Khrushchev to go to any length to woo the British, if the latter were determined to remain cold and unresponsive to their gestures. The Anglo-Soviet talks have not apparently been successful enough, and the London Disarmament Conference has not made progress. Mr. Khrushchev has not omitted any occasion to emphasise that the Soviet Union is talking from strength, while the British have refused to create the impression that they have been flattered by Russian attentions. It has been largely a transition from the cold war to a cold peace, if at all. The British Government can now succeed in convincing American opinion that it has not been swept off its feet by Russian overtures and has not allowed the Anglo-American alliance to be impaired. The honours in this rivalry seem even.

THE RIDDLE OF STATES' REORGANISATION

THE DEBATE in the Lok Sabha this week on the States Reorganisation Bill has again provided a forceful reminder of the tentative character of the Government's decision on Bombay City's future. Time has not helped to abate Maharashtra's resentment over the exclusion of Bombay City from the proposed Maharashtra State, whether as a Centrally administered area or as a separate State. The difference now is that while formerly there was inclination among some sections of Maharashtra opinion to favour a large composite State including Gujarat—the MPCC has also passed a resolution to this effect—there seems to be no disposition now to think on similar lines. In this respect, the position is worse today than in January last and is the result of the unacceptable solution imposed by the Government of India, without bestowing sufficient thought on the feasibility of a composite State, especially when in the Punjab it seemed an eminently suitable method of cutting the Gordian knot of regional politics.

It is idle to deny that opinion in the rest of India, barring Gujarat, has veered round in favour of the Maharashtra claim for Bombay City and there was a reflection of it in the speeches in the Lok Sabha this week. The Government is bound to be in a difficulty in retracing its steps and Mr. Deshmukh's offer of resignation on this issue may further add to its embarrassment. Such resignation may help to focus attention on a vital issue but in view of Mr. Deshmukh's role as an architect of the second Five-Year Plan, the position becomes particularly delicate. Unless the question is satisfactorily solved preventing Mr. Deshmukh from pressing his resignation, the nation will be losing the services of one on whom it has to rely strongly for finding the resources through taxation and deficit financing on the scale now accepted by him as member of the Planning Commission and Government.

THE FINANCE BILL

THE FINANCE BILL as now passed by the Lok Sabha contains only moderate alterations of the original proposals. The halving of the duty of half an anna originally proposed to be levied on cotton seed oil was not a substantial concession to the general demand for a low duty on all edible oils. On the new tax on the earnings of registered firms with an income of more

than Rs. 30,000, the Finance Minister announced exemption of the first Rs. 40,000 from tax and also exemption from super-tax for a partner on his share of income from the firm other than business income on amounts equal to the tax attributable to such incomes paid by the registered firm. This was intended to give reliefs to partners of professional firms like those of accountants and lawyers.

The tax on bonus shares has come to stay and the Finance Minister justified it again on the argument that the share-holder himself will not be taxed on the value of the bonus shares as if it were a dividend, but that only the company issuing it has to pay it as corporation tax. A second argument was that the levy of a corporation tax linked to paid-up capital cannot ignore any widening of the base through bonus shares. The main disappointment has been the refusal to modify the tax on dividends in excess of six per cent. The Finance Minister's calculation that an extra tax of half an anna on the total distributable profits is not an excessive burden in cases where the whole of the profit of a company is distributed may seem good on paper but will not convince business men that it is a minor burden to be borne without complaint.

ICS SALARIES—A PETTY-MINDED APPROACH

A CIRCULAR to ICS officers exhorting them to accept a voluntary cut in their salaries is reported to be under Government's consideration. This is perhaps the first step in taking measures in pursuance of the idea of fixing ceilings on income; presumably the Government hopes it will be fortified by a voluntary gesture made by ICS officers in enforcing on the officers of the private sector similar restrictions. The protection granted to these officers under the Constitution now stands in the way of firmer action, which would certainly have been adopted otherwise, thus proving that the officers were not exaggerating their fears when they sought constitutional safeguards. In any case, these salaries have remained static over decades and inflation at one end and taxation at the other have been steadily eating into their real value. At the same time the remnants of the ICS corps have taken an increasing share of the burdens of administration of a Welfare State and it would be less than honest to say that these salaries are unconscionably high compared to the levels prevailing in the private sector or to the real emoluments of politicians in office, if their perquisites are also included. It is wrong to create the impression that these devoted public servants form a highly privileged class, or that any saving by a cut will be substantial. In any case, they are already limited in numbers and time will reduce their ranks further.

A more practical aspect of the question should be taken into consideration. Even if the cuts are not considerable, it is wrong to create the impression that strong pressure would be exerted in this matter, and it is idle to deny that all this constitutes pressure. If the result is to encourage the officers to opt for the benefits of premature retirement to which they are eligible and to seek other occupations which offer attractive monetary or other rewards, the public services will lose heavily. As the Minister for Commerce and Industry remarked last week, it is indeed a strange kind of socialism that reduces the attractions of public service on the one side, and expands the activities of the public sector, on the other. It is time to call a halt to the tendency to find whipping boys among the non-vocal sections of the community.

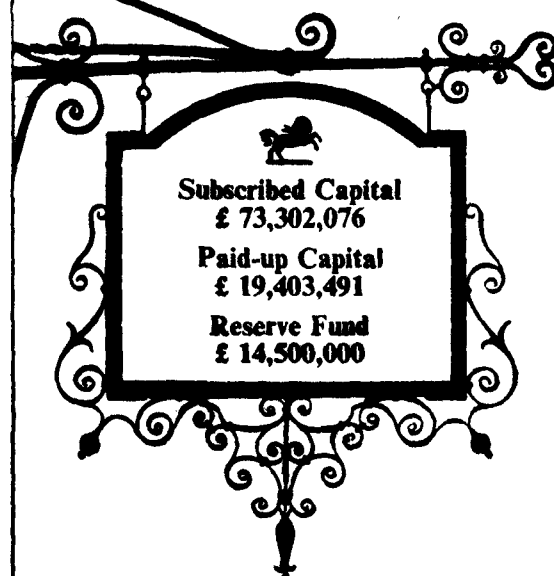
EDUCATION MINISTRY AND ITS CRITICS

THE LOK SABHA debate on the Education Ministry's demands for grants revealed a wide awareness on the part of the members of the great gap which still remains between the Directive in the Constitution, which envisages the provision of free, compulsory education

up to the age of 14 within ten years of the inauguration of the Constitution, and practicable targets. On other points also progress has been below expectations and needs. Teachers' salaries continue at the same old levels except for some tinkering here and there, though the Central Government has now offered to help State Governments in revising them, and secondary, university and technical education continue to founder on the scarce financial rocks. But, while one has to agree with the Deputy Minister on this point, it should be pointed out that the Ministry could have done something more to persuade the Governments, at the Centre and in the States, to take the Constitutional objective a little more seriously.

The speeches once more revealed that Hindi enthusiasts still refuse to leave their old ways of thinking and even the Language Commission's hearings in various parts of the country and the Chairman's plea for tolerance have apparently fallen on deaf ears. The Deputy Minister squarely met the charge that the Ministry was not doing all it could to accelerate the pace of Hindi by, first, pointing to what had been done and, secondly, to the need for going slow in such a matter which may well affect the unity of the country. But it is not clear why he should have been somewhat apologetic over the adoption of international numerals for Hindi typewriters when the provision in the Constitution is clear on the point. It almost seems as if simultaneously with its other programmes, the Education Ministry should launch a programme to educate dogmatic and over-zealous Hindi protagonists on the advantages of gradualness in making Hindi acceptable in areas where it is not.

LLOYDS BANK LIMITED



Let LLOYDS BANK
look after your interests



LLOYDS BANK LIMITED INCORPORATED IN ENGLAND

18 304

A Window on the World

THE ECONOMIC VALUE OF UNEQUAL REWARDS

By

ODYSSEUS

THE USSR, THE USA, AND BRITAIN reveal in the history of their economic development one grim major factor in common: Britain and the USA have passed, and the USSR is passing, through a period of postponed consumption, mass thrift, and pioneering hardship and suffering, before the capital thus created began (or, in the case of the USSR, will begin) to pay back the astonishingly high dividends which give the USA, and which once gave Britain, the world's highest standards of living. Mr. Graham Hutton, the British economist, in an unsigned article entitled "The Dynamic Society," published in the 'Times' (of London) Literary Supplement of February 24, put the question: Is it a necessity of economic growth that such periods of hardship must be endured by any country (e.g. India) that wishes to emulate the same high levels of consumption? Is the hard-headed Victorian philosophy, that made Britain and the USA rich and strong, the unavoidable precursor of the contemporary Soviet tyranny over the Russian masses? Before giving a final answer, Mr. Hutton points out the important preliminary truth that these hard-faced methods are the social cost of accumulating capital quickly.

Rightly does Mr. Hutton insist that there is no escape from toil and ill-fare without the modern equivalent of the ancient slaves—tools, machines, productive capital. How often do our planners and welfarists, our Socialists and anti-capitalists, forget that tools and productive capital are not created by vote-catching speeches or rousing slogans: they must be produced by innumerable individuals abstaining from immediate consumption. In the past, as over most of the world today, the requisite rate of capital formation far exceeded what the ordinary man would acquiesce in (except in by-gone Britain, and today in the USA, West Germany, Holland, and Switzerland). That is why personal freedom, representative government, freedom of consumer's choice—those points which Western democrats often unthinkingly assume to be universals of the Good Life—are regarded by societies such as the USSR and China only as impediments to the rate of economic growth that they consider to be desirable.

Mr. Hutton, scoring a palpable hit, describes the converse proposition—that rapidity of material development automatically guarantees the Good Life—as the Russo-American fallacy. The question is (he says): "Do you let your society's material growth take precedence of all other considerations, at the cost of ending up with a society utterly unlike your ideal; or do you, indeed can you, forgo some of the rate of that development, in order to make a more humane transition to the more easily realisable social ideal of a more humanistic society?" At first glance, it would seem that India has answered this question by plumping for a slower rate of development and a more humane transition, but are we sure that this aim is being kept as steadily, and as consciously, in view as it should be if it is to be realised?

BRITISH FOXES AND U.S. GRAPES

Mr. Hutton says flatly that the British comfort themselves for the increasing lag in their material

standards since 1890, compared with the USA, by proclaiming that material growth does not matter if moral stature (undefined) grows, and that anyway the social and personal cost of the US standard is too high. "For British foxes, American grapes are sour", he comments. "Yet the British foxes go on demanding more grapes than they are prepared to grow themselves. And both British political parties, and their leaders, go on encouraging the foxes to believe that grapes, sweeter than those grown the American way, can somehow be provided ad lib., without either the American or the Russian cost in rewards, thrift, and organisation."

A parallel, as instructive as it is extraordinary, may be drawn between the plight of post-World War II Britain and France and the period of the Roman Empire's decline. We can equate the struggle between the Romans and the swarming hordes outside their frontiers with the struggles between the contemporary civilised Western world and the raw upthrusting USSR. The assaults of the barbarians from without on the Roman empire placed on the Roman peoples an ever-increasing burden of military expenditure and bureaucratic government, accompanied by crushing taxation of both income and capital, remorseless inflation, failure to save, declining population, failure in the supply of slaves (mobile capital or machines), constant shortages of economic and military manpower (See the British and French press every day on this problem!) ever wider expansion of the machinery of administration, impingement by officials of all kinds on the lives of the individual citizens, loss of individual responsibility, loss of belief in and hope of a future worth striving for (See "The Economic Value of Living in Hopes", published here on April 20), the failure of an old religion to command popular allegiance (Question the young men and women in our universities on their religious views), and a steadily increasing breakdown in respect for law, order, and discipline. Again and again, Roman leaders arose who strove desperately to arrest the downhill slide. But if sometimes they succeeded in securing a temporary halt, the screws of authority, of the state, of government officials, of the police, and of the collectors, were driven tighter and deeper and deeper into the lives of the individual citizen. In vain.

It is sobering to note that there is hardly a social or economic panacea being used in the West today (and often imitated in India)—from subsidised corn, meat, and housing, to capital levies, controlled prices, and frozen wages—which was not tried out in the second to fifth centuries throughout Roman Western Europe, North Africa, and the Middle East. In vain.

THE WARNING OF ANCIENT ROME

Tenney Frank's "Economic Survey of Ancient Rome" contains these words which ring ominously in the 1956 world of the Cold War and the static Welfare state:

"The ruler whose economic innovations proved ultimately most disastrous to the Empire was Septimius Severus.... The important fact is that the rights of the citizens to independence and to property had been questioned, and habits of autocracy had been incul-

cated.... The havoc wrought was not due to a communist revolution let loose against an ancient culture; it was due to the failure of efficient government at the centre of the State.... No recovery was possible except through the absolutism of Diocletian.... Typical of his regime was the imposition of a maximum limit both on the price of all wares for sale and on the amount of all wages in order to keep wages as low as possible and to check the returns from industry. The declared purpose was to curb speculation when the state inflated the currency, but Diocletian attacked the inevitable result, not the cause of inflation.... The state which he saved lived under such conditions that it is questionable whether it was worth saving. At least, when the barbarians came on, the inhabitants of the Empire were in some doubt on this point, and many of them were glad to surrender in the conviction that any new regime could hardly be worse than the one that they had endured."

"Economic growth may be particularly important to societies where political aspirations are currently in excess of resources.... in some countries, such as Great Britain, the working classes or their spokesmen are demanding ever larger wage-packets, and ever-increasing expenditure on housing, education, health and other amenities. If in such societies income per head is stable, the desires of one group can only be met at the expense of other groups.... Most countries of the world are passing through a phase where bitter strife is inevitable unless there is a rapid increase in production per head...."

So that, whether under a Socialist or under a Tory government, if the British are to get what they want, they must allow their embodied labour of the past, their productive capital, to lighten and speed their task, and they must create more productive capital. This is straight talk from a Socialist thinker on the restrictive practices so dear to the British Trades Unionist heart: the under-utilisation of existing machines, and the fear of capital.

Finally, does this Socialist Professor deplore inequality of income? Yes, but note with what qualifications:

"....Economic growth may be deplored in so far as it is dependent on inequality of income. That this dependence exists cannot be denied, since growth would be small or negative if differential awards were not available for hard work, for conscientious work, for skill, responsibility and for initiative. It is arguable in any given situation whether the existing differentials are too great or too small, in the restricted sense of being greater or less than is required to achieve the desired rate of economic growth. But it is not arguable, as the rulers of the USSR soon discovered, that significant economic growth could be achieved if there were no differentials at all."

Turning from this terrible picture of a world in twilight, we may find consolation in the unexpected fact that Professor W. Arthur Lewis, one of Britain's leading Socialist economists, rejects Marxian determinism and would not draw from the foregoing the conclusion that Britain has no choice but to slide down the Roman slope to destruction. On the contrary, he agrees with the Toynbeian view, often expressed in this column, that response can be made to challenges. Professor Lewis is at pains to refute much current British Socialist nonsense that material growth is no longer desirable—the fox's judgment on the grapes—and he insists that it is just as possible for a society to be insufficiently materialistic as it is to be too materialistic (a point which the faithful will recall, I have frequently made here because this facile vulpine fallacy finds too many supporters in India). Professor Lewis' words carry the greater weight as coming from a Leftist and one who has worked hard for the under-dogs of this world. He says in "The Theory of Economic Growth" (Allen & Unwin, 30s.):



FLY TWA
TRANS WORLD AIRLINES

ASIA • AFRICA • EUROPE • U.S.A.

SPAIN AND FRANCE IN NORTH AFRICA

FROM OUR SPECIAL WESTERN EUROPEAN CORRESPONDENT

[The Eastern Economist is happy to be able to announce that, from the current issue, there will appear a regular exclusive despatch from a Special Correspondent in Paris who will interpret, on the basis of special studies in various Western European countries, matters of political, economic and social interest to India. While the identity of this correspondent has not been revealed, Indian readers may be assured that he has had very recent knowledge of India where he has spent many years.—Ed.]

PARIS, April 20, 1956.

INTERNATIONAL borders fall infrequently nowadays and countries once divided have the greatest difficulty in achieving unity again. Germany, Korea and Indo-China seem to be as far from unity as ever. This alone makes the re-unification of Morocco an unusual development in our modern world. But that re-unification should be modern simultaneously with liberation from imperialist tutelage makes Morocco's good fortune altogether unique. India is familiar with the fact that independence has sometimes to be paid for by dismemberment, but the Moroccans have succeeded in repairing both their major political ills in negotiating with two European powers who were extremely jealous of each other's influence in North Africa. The speed and smoothness with which they have done this surprised everybody including themselves. It is only a few months since the Sultan of Morocco was languishing in exile, and it is only a matter of weeks since General Franco was declaring that never would he agree to restitution of Moroccan unity. Today Morocco has entered into her first Ramzan of independence while her rulers attend to the considerable political problems of national freedom. These are baffling problems but at least they attend to them as free men.

The major element in this happy transition has undoubtedly been French goodwill. The second factor has been Moroccan readiness to trust the French fully once they began to demonstrate that goodwill. One could if one wished extract from this an interesting lesson on the power of moral forces in international affairs; but let us simply look at the facts. Moroccan nationalists say today that French foolishness in 1953 advanced the nationalist cause by ten years; the exile of the Sultan was so obviously a brutal mistake that it had to be repaired some time and once the French set out to make good their error, then they were set on the course of goodwill and could not stop short of complete independence. It is to the credit of the French that they realised this fairly quickly and, once they resumed negotiation with the Moroccans, were willing to go to the end of the line. And this despite the obvious fact that concessions in Morocco made the French position in Algeria (where they are not ready to go to the end of the line) much more difficult. Indeed one could argue that French concessions in Tunis and Morocco have made it impossible for them to maintain for very much longer their old position in Algeria; but that is a story for another day.

Spain, which has exercised the "protectorate" over the northern part of Morocco, watched this surrender of French positions in southern Morocco with considerable dismay. Madrid described this turn in French policy as the outcome of democratic weakness, the product of liberal illusions ("liberal" is a term of abuse in Spain) which General Franco would never imitate. Morocco was not fit for democracy and if Spain had her way never would be, because democracy is a species of disorder that the Caudillo has devoted his life to combatting. Yet while he was thus denouncing French weakness, General Franco continued the policy he had

followed for years past, of supplying arms, shelter and encouragement to Moroccan rebels and terrorists from the French sector of the country. This contradiction may seem extraordinary and to understand it one has to grasp the fantastic ambitions Spain has nourished since the war in regard to the Arab world. By lending support to rebels against French imperialism in North Africa, Spain hoped to pose as the Arab's best friend in Europe, to buy friends in North Africa if and when the French withdrew, and meantime to curry favour in Cairo, towards which city most of Madrid's blandishments are directed. And yet at the same time, Madrid aspired to maintain absolutely untouched its own hold over northern Morocco. If this dual aim seems childishly simple, the fact is that it was cherished in Madrid. And of course today it has collapsed, leaving Spain the worst loser in North Africa—but it has not cured Franco of his ambitions in the Arab world, of which we shall hear much more in the near future.

French withdrawal from their section of Morocco made it plain that Spain would have to surrender her share of the kingdom. Franco was quick enough to accept this painful fact but what then disturbed him most was the reference to "interdependence" in the independence agreement signed in Paris between the Moroccans and the French. The French had in those agreements surrendered their position in Morocco, but the Moroccans had promised to come back later and work out a new agreement defining the special connections between themselves and the French as two equal independent powers. There is nothing sinister in this arrangement, which is really parallel to Britain granting Indian independence while India agrees to remain within the Commonwealth. But Franco saw in it, rightly I suspect, that it means that the whole of united Morocco, including the formerly Spanish part, would, although independent, be subject to some measure of French influence. For example, the two parts of Morocco now use two different currencies, the French franc and the Spanish peseta, but as economic unity is achieved, the French franc will oust Spanish commercial interests from the north. Again, the country has had two armies, run by France and Spain respectively; but a united Morocco "interdependent" with France would fall militarily wholly under French influence. And so on. It is clear that the degree of French influence in free Morocco will be far less than it was under the protectorate, but what worried Spain was that that influence, although diminished, would henceforth cover the whole country, to the detriment of the special position Spain hoped to maintain in the north.

This explains the constitutional quibbling that went on in Madrid this month when the Sultan went to negotiate liberation of the northern section of his country from Spain. The Spaniards wanted to debate the precise meanings of such necessarily vague terms as "interdependence" and "free co-operation". The Moroccans fully justified the trust the French had in turn placed in them when it was agreed in Paris that independence would be granted first and "interdependence" discussed later: they refused to go into these questions with Franco and made it clear that their free allegiance would go to Paris and not to

Madrid when their country was united. Faced with this determination, Franco had no option but to surrender.

Not that he has surrendered everything, however. He has maintained two little "Goas" in free Morocco, the towns of Cueta and Millila where many Spaniards live. How long he will be able to hang on to them is doubtful; recent trouble in the enclave of Ifni on the Atlantic coast of Morocco, which also remains a Spanish colony, suggests that, just as in India, a chain reaction of freedom has been set going which will not stop just where European statesmen want it to. More interesting perhaps is the fact that Spain's retention of these footholds in free Morocco seriously jeopardises her case against Britain about Gibraltar. Spanish declarations about the necessity of complete control of the national territory will henceforth sound rather hollow, just as India's case in Goa would look strange if Delhi

were hanging on to Aden, which once used to be part of the Presidency of Bombay.

The costliness of Madrid's surrender in Morocco should not be underestimated. Spain is not a free country and her dictator is worse placed to make concessions to democracy than are, say, the statesmen of Britain and France. The same could be said of Portugal, but Franco is in a much more serious position than Salazar, because his military strength is historically based on Morocco. His rebellion against the Spanish republic began in Morocco, the troops which carried him to victory came from Morocco and his personal military retinue is to this day composed of soldiers from that country. Franco may now be strong enough to kick away from under him the ladder by which he mounted, but dictators can never be sure of such questions. The outbreak of unrest in Spain this month comes as a curious coincidence immediately after the Caudillo has severed this link with his past.

A Letter to the Editor

"AMBAR CHARKHA"

Sir,

With reference to the comments contained in the issue of 'The Eastern Economist' dated 30th March, 1956 on the "Ambar Charkha" I should have been grateful if you had mentioned the sources on which you had relied for the fresh data on the performance of the Ambar Charkha.

During the period November 1955 to January 1956, The All-India Khadi and Village Industries Board had opened 100 Parishramalayas all over the country. Each of these Parishramalayas works with 30 to 50 Ambar Charkha sets, and provides training to men and women in the age group of 15 to 40. The majority of these trainee-spinners are new to handspinning. Even during the period of their training, their performance has been, by and large, satisfactory. Parishramalayas operating in Uttar Pradesh and Travancore-Cochin show records of performance, which exceed by a substantial margin the Board's assumptions of productivity of the Ambar Charkha at an average of 8 hanks of yarn per spinner per day (from opening of cotton to spinning of yarn). Wherever local varieties of cotton have been continuously supplied, and wherever the spinner has been allowed to work during the hours of his or her own choice i.e., during the early morning and late afternoon hours, and where, consequently, for experimental purposes different varieties of cotton had not to be used on the same machine during the course of the same day, the performance of the trainee-spinners, men and women, has averaged 6 hanks of yarn a day. There are, however, cases where productivity has been 10, 12, 14 hanks of yarn for composite spinning and 33 hanks of yarn for only spinning. The performance of Parishramalaya in each of the States thus supports the Board's claim and there has been no need for revising its earlier assumptions on which the Ambar Charkha programme is based.

The Board's Ambar Charkha programme involves a total cost of Rs. 144 crores, of which about Rs. 63 crores are loans for working capital, Rs. 12.5 crores loans for the purchase of equipment. In other words, of the total estimated cost of the programme Rs. 75 crores are recoverable over a period of five to ten years. The net expenditure thus is around Rs. 70 crores. This indeed is a far cry from both your figures of Rs. 200 or Rs. 500 crores.

The estimates of employment presented by the Board are not based on mere arithmetical calculations, but are founded on verified experience. Of particular importance is the fact that the Ambar Charkha set in

most areas where it is now functioning is utilized on an average for a period of ten to twelve hours by the trainee-spinner and the members of his or her family. The Board does not, however, claim to provide employment for any more than 2 persons per Ambar Charkha set. You may appreciate that it matters very little whether a person devotes a day exclusively to spinning or exclusively to opening and preparing of slivers of cotton so long as the combined productivity of the two per given period does not fall short of the assumptions of the Board's Ambar Charkha programme. The data available about the trainee-spinners, and not expert spinners, during the first fortnight of their training confirm rather than question the productivity assumptions. The Board has no knowledge of the tests which are supposed to have definitely proved a lower rate of productivity.

Yours sincerely,
C. K. NARAYANSWAMI



THE INDIAN OVERSEAS BANK LTD.
MADRAS
(Incorporated in India)

Central Office : Madras

General Manager : Mr. C. P. Doraiswami

Branches at :
Bombay Calcutta Madras
and throughout South India

OVERSEAS BRANCHES

Burma	Rangoon
Ceylon	Columbo
Malaya	Ipoh, Kuala Lumpur,
	Penang, Singapore,
	Malacca
Thailand	Bangkok
Hong Kong	

agents & correspondents
all over the world

WORLDGRAM

AGRICULTURE

New Variety of Barley: British crop scientists have produced a new hybrid variety of barley which, in trials over a period of years, has consistently given yields about 25 per cent higher than either of its parents and, at the same time, grows well on light soils and withstands drought conditions. It is attracting the interest of farmers in countries like India, Pakistan and Australia. The new variety of barley is called "Proctor", and is a cross between the British "Plumage Archer" and the Danish "Kenya" types. Produced largely through the efforts of Dr. G. D. H. Bell, of the Cambridge Plant Breeding Station, the "Proctor" has inherited the stiff, short straw characteristic of the Danish "Kenya" and the malting qualities of the British "Plumage Archer". It is completely different from any other barley grown on a commercial scale.

Census of Land Holdings: Census of land holdings has so far been completed in 19 States. They are Andhra, Bihar, Bombay, Madhya Pradesh, Madras, Punjab, Hyderabad, Madhya Bharat, Mysore, Pepsu, Rajasthan, Saurashtra, Ajmer, Bhopal, Coorg, Delhi, Himachal Pradesh, Kutch and Vindhya Pradesh. No census was proposed to be undertaken in Assam, West Bengal, Jammu and Kashmir, Manipur and Tripura. Results are awaited from Orissa, U.P. and Travancore-Cochin. These States have been requested to complete the work as speedily as possible.

Cotton Production in British Oversea Territories: Production of cotton in British overseas territories in 1955 and the previous year averaged 1,250,000 bales compared with an average of 1,000,000 bales in the three years before that. Since the latter war years and those immediately after, when average production was around 600,000 bales, output has steadily increased. Now it more than doubles that figure for both the Sakel and American types. Over the period under review, production of Sakel types has risen from about 300,000 to 450,000 bales. These types have been mainly grown in the Sudan, but in the last two years Aden has produced 22,000 and 23,500 bales, respectively, and Aden's production is expected to increase still further. Among the territories growing American types, the crop in Uganda in 1955 was nearly 100,000 bales less than in the previous year. But there were increases of 44,000 bales in Nigeria and 18,000 in Tanganyika. The Nigerian crop was three times as large as the highest achieved before the war, while Tanganyika's production of 120,000 bales exceeded the pre-war record by 50,000 bales.

INDUSTRY

Output of Coal in India During February 1956: The output of coal in collieries in India increased from 3,206,558 tons in January, 1956, to 3,357,546 tons in February, 1956, according to official statistics released by the Chief Inspector of Mines in India. Despatches of coal amounted to 2,697,020 tons in February, 1956, as against 2,794,074 tons in the preceding month. Coal stocks at pitheads amounted to 3,812,570 tons at the close of the month. Nine coke plants at collieries and elsewhere produced 535,204 tons of hard, soft and other kinds of coke during the month and despatched 170,602 tons.

Production of Fertilisers, Penicillin and Telephone Cables: Production targets under the first Five-Year Plan have been exceeded by the State-owned Fertiliser Factory at Sindri, the Penicillin Factory at Pimpri and

the Telephone Cable Factory at Rupnarayanpur, under the Ministry of Production. The Sindri Fertiliser Factory produced 326,073 tons of ammonium sulphate in 1955-56 against the annual production target of 320,000 tons fixed under the first Five-Year Plan. The Penicillin factory which started trial production in March 1955 and regular production in August last, had a total production of 6.4 million mega units at the end of the Plan period. This was appreciably higher than the target of 4.8 million mega units fixed under the first Plan. The Telephone Cable Factory at Rupnarayanpur in West Bengal produced 525 miles of cables during 1955-56 against the Plan target of 510 miles of cables per year. The production of 1955-56 was considerably higher than the planned capacity of 469 miles of cables per year.

Power Generation in India: Power generation in India in 1954 rose by 2,415 million kwh. over that of 1950, the total output being 7,522 million kwh., according to the booklet "Electricity Supply—All-India Statistics, 1954". The booklet, published by the Central Water and Power Commission, Union Ministry of Irrigation and Power, says that the number of consumers increased to 2,164,782 in 1954 compared to 1,500,737 in 1950. The figure for consumers for irrigation purposes rose to 36,012 in 1954 from 19,316 in 1950. The number of towns, with a population under 5,000, electrified was 3,786 in 1954 as against 2,792 in 1950 and with a population of about 5,000 was 1,765 as against 895. Nationalisation of electricity supply undertakings was continued during the year. Eleven privately-managed undertakings were acquired by the various State Governments.

Development of Steel Re-rolling Industry: It is reported the Government of India would like arrangements to be made from now onwards for developing the Steel Re-rolling Industry in the light of the growing demand for its products and the expected increase in the availability of raw materials (scrap and billets) during the next 5-year period. Government is making a comprehensive study of the raw material position. The indications are that supplies of billets in reasonable quantity are likely to be available towards the latter half of 1959.

Capital Plant for Indian Steelworks: The £7,000,000 contract for a rolling mill and railway wheel and axle plant for the new steelworks follows the announcement of an agreement between the Government of India and the Indian Steelworks Construction Company (ISCON), which is a consortium formed specially by a number of British firms (including Davy-United) to undertake the whole construction of the new plant at Durgapur at a total cost of £80,000,000. The £7,000,000 order represents the biggest single enterprise ever undertaken by Davy-United. It includes a 42-inch blooming mill, a 32-inch intermediate mill, a 24-inch medium section mill, and continuous billet and merchant mills, together with a 6,000-ton wheel forging press, a 2,000-ton dishing press, wheel and type roughing and finishing mills, and a host of auxiliary equipment.

TRADE

Pakistan's Trade Balance: Pakistan's exports on private account, during February 1956 exceeded imports by more than Rs. 110 million according to official figures released recently. Exports of raw jute alone during February, 1956, registered an increase of 50 per cent in value and 45 per cent in quantity over that during the previous month. Other items of exports which showed an increase of exports over those during

January, 1956, were jute manufactures, hides and skins and oilcakes. The slight increase in total imports during 1956 has been due to increased imports of machinery, metals and ores and art silk yarn, and also the imports of wheat.

*

Steel and Cement Imports from Poland: In pursuance of the Trade Agreement concluded between the Polish People's Republic and India recently, the Polish State Enterprise "Cengrozap", Stalinograd, will sell to the Iron and Steel Controller, Government of India, Calcutta or any other authority nominated by the Government of India in this behalf 50,000 tons of iron and steel products between April 1, 1956 and December 31, 1956. Efforts will also be made for the sale and purchase of an additional quantity of 50,000 tons of steel products before December 31, 1956. A quantity of 100,000 tons of iron and steel products has been agreed to be sold in each of the calendar years 1957 and 1958. The terms and conditions of the sale will be settled in due course. The "MIMEX" a Polish State Enterprise, have also agreed to sell cement to the projected State Trading Corporation of India. The "MIMEX" will supply 100,000 tons of cement between August 1, 1956 and March 31, 1957. India will sell through the State Trading Corporation to Poland 100,000 tons of iron ore during September 1, 1956 and March 31, 1957. A quantity of 100,000 tons of iron ore has been agreed to be sold in each of the calendar years 1957 and 1958.

*

Import of Cotton: The Government of India have decided to permit import, with immediate effect, of cottons stapling 7/8" to 1-1/16" up to a ceiling of 40,000 bales from both dollar and non-dollar areas. Licences will be issued in favour of mills and importers on the basis of 'first-come-first-served' and will be valid up to June 30, 1956. The nature of evidence required will be the same as in the past and will be detailed in a trade notice to be issued by the Joint Chief Controller of Imports and Exports.

FINANCE

Customs and Excise Revenue Collected in the Indian Union: According to the returns received in the Department of Commercial Intelligence and Statistics, the total gross Sea and Land Customs revenue collected in the Indian Union during February, 1956, amounted to Rs. 1471 lakhs, as compared with Rs. 1720 lakhs in the corresponding month of the previous year. Of the total Customs Revenue collections, import duties accounted for Rs. 1194 lakhs as against Rs. 1276 lakhs; export duties for Rs. 263 lakhs as against Rs. 423 lakhs, and land customs and miscellaneous for Rs. 14 lakhs as against Rs. 21 lakhs. The total gross collection of Union Excise Duties amounted to Rs. 1413 lakhs, as compared with Rs. 960 lakhs. During the eleven months, April 1955, to February, 1956, the grand total of gross customs and Union excise revenue realised was Rs. 28906 lakhs, as compared with Rs. 25382 lakh during the corresponding period of the preceding year. Of this amount, import duties accounted for Rs. 11643 lakhs as against Rs. 13136 lakhs; export duties for Rs. 3385 lakhs as against 3706 lakhs; land customs and miscellaneous for Rs. 188 lakhs as against Rs. 270 lakhs; and Union excise duties for Rs. 13690 lakhs, as against Rs. 9470 lakhs.

*

Peru's Credit Agreement: At the request of the Government of Peru, the International Monetary Fund has extended for one year a stand-by credit agreement that enables Peru to draw up to \$12,500,000 from the Fund. The arrangement between the Fund and Peru was initiated on February 17, 1954 and was extended for one year from February 17, 1955.

Grants for Project Centres: Grants totalling Rs. 8,96,000 have so far been sanctioned by the Central Social Welfare Board to 250 Project Implementing Committees in 10 States for the construction of buildings for Project centres. These grants are made at the rate of Rs. 2,500 per Project centre on the understanding that the Project Implementing Committee secures the donation of a piece of land from the people of the Centre villages for the building. A larger grant, up to a maximum of Rs. 5,000 in each case, will be sanctioned by the Board in cases where the villagers make an additional contribution towards the building centre in the shape of cash, labour or kind. The number of centres to which grants have been made in the 10 States is as follows: Madras 19, Orissa 44, Bombay 75, Travancore-Cochin 5, Coorg 5, Bhopal 25, Madhya Pradesh 26, Delhi 11, Vindhya Pradesh 20 and Punjab 29.

*

Financial Aid to Small Industries: During the second Five-Year Plan, the Centre hoped to give about Rs. 20 crores to the State Governments for providing financial assistance to small industries, to supplement the resources of the State Governments co-operative banks and other such institutions in their scheme of direct financial assistance to small units. It is reported Government have given equal prominence to technical assistance to small units in the programme of development in the second Plan. Regional Institutes for industrial extension service to small industries have been set up at Bombay, Calcutta, Delhi and Madras. During the second Plan it was proposed to establish one Institute for each State and several Branch Institutes.

*

Subsidised Industrial Housing Grants: The Government of India sanctioned during February, 1956, Rs. 16,43,060 as loans and subsidies for the construction of 460 tenements under the Subsidised Industrial Housing Scheme. The Government of Bombay will get Rs. 67,500 as loan and an equal amount as subsidy for the construction of 50 single-room tenements at Khatodra (Surat). For the putting up of 64 double-room tenements at Shibpur, the Government of West Bengal will be given Rs. 3,79,520 divided equally as loan and subsidy. The Government of Punjab will receive Rs. 11,28,540, half as loan and the rest as subsidy, for the construction of 100 single-room and 246 double-room tenements in the State. One hundred tenements will be put up at Amritsar, 60 at Dhariwal, 60 at Ambala and 126 at Bhiwani.

GENERAL

Employment Situation During February 1956: The total number of unemployed in India registered at the Employment Exchanges during February 1956, was 7,24,448. The figure represented an increase of more than 7,000 over the figure for the previous month. The number of vacancies notified by the private sector during the period was 7,652—largest since May, 1953. Of the vacancies notified by the Public Sector, 18,354 were by the Central and State Government Departments. The placements effected during the period were 15,465 as against 14,753 during January, 1956.

*

Manufacture of X-Ray Equipment: The Government of India have had under active consideration the development of manufacture of X-Ray Equipment in the country and a Panel was recently constituted to advise Government on this question. The Panel has decided that schemes for the manufacture of X-Ray equipment in the country should be invited from firms interested in the manufacture of X-Ray equipment. Proposals from interested firms for the manufacture of X-Ray equipment are, therefore, invited giving full details of the programme of manufacture together with terms of foreign collaboration, if any.

April 27, 1956.

NEWS IN BRIEF

INDIAN

The Lighthouse Department of the Union Government completed work on 25 new light houses at an estimated cost of Rs. 22 lakhs during 1955-56. Improvements to eight more light houses were made at a cost of about Rs. 2 lakhs.

*

Freight and passage earnings of Indian Shipping Companies engaged in overseas trade increased to Rs. 10.47 crores in 1954-55 from Rs. 8.59 crores in 1953-54.

*

India has placed orders abroad for 60 drills required for the coal production projects. These will be purchased from the Soviet Union, Sweden, the United States and the United Kingdom.

*

About 3,756 tube wells are expected to be sunk in 14 States at a cost of about Rs. 24 crores during the second Five-Year Plan period.

*

NEFA has at present six Community Development Blocks covering 206 villages with a total population of 61,432.

*

The Government of India propose to give about Rs. 20 crores to State Governments for providing financial assistance to small industries during the second Plan period.

*

Forty thousand teachers will be trained in the Rural Development Programme during the second Five-Year Plan so as to enable them to relate the education of the children to the changing conditions in the country.

*

The Central Soil Conservation Board has recommended the setting up of a Directorate of Soil Conservation. About Rs. 1,30,300 so far have been sanctioned to the State Governments by way of grants for the schemes of training in Soil Conservation during 1955-56.

*

The Ropes and Cordages Sectional Committee of the Indian Standards Institution which met in Calcutta recently in Joint session with the Ropes and Cordages Sub-Committee, finalised the draft Indian specification for hawser laid Manila rope, Shroudi laid Manila rope and cable laid Manila rope.

*

A sum of Rs. 75 crores is likely to be allotted for rural electrification schemes in the second Five-Year Plan. The schemes when included in the Plan, will be technically scrutinised and the State Governments will be asked to execute them.

*

The Government of India propose to set up 125 Vigyan Mandirs (Rural Scientific Centres) throughout the country during the second Five-Year Plan period.

*

Two hundred and fifty-nine committees set up by the Central Social Welfare Board for implementing projects have so far received Rs. 8,96,000 from the Board for constructing buildings for project centres.

*

A sum of over Rs. 24 crores is proposed to be spent for the development of India's forest wealth under the second Plan.

*

India produced over 14,000 tons of fruit products and preserves valued at about Rs. 1.58 crores during 1953.

FOREIGN

The Third International Congress on Food Distribution will be held in Rome from June 18 to 22, 1956. This Congress has been convened by the International Association for Food Distribution with headquarters in Paris, and organized by the Italian General Federation of Trade and the Technical Centre of Commercial Productivity.

*

Automobile production in Italy has attained a new record in 1955 according to data released by the National Association of Automobile Manufacturers. Altogether 268,756 vehicles were turned out (24 per cent more than in 1954), consisting of 230,833 motor-cars, 12,193 vans, 22,878 trucks and 2,852 buses.

*

A new atomic power station based on sodium graphite is now being designed by the British Atomic Energy Authority at Risley, Lancashire, and is one of several types being considered for future use.

*

The Board of Trade in Britain has confirmed that licenses have been granted by the British Government for the export of a limited number of agricultural tractors to China.

*

The pit-head price of German blast furnace coke of over 80 mm. size has been raised by Dm. 5.60 (9s 4d.) per ton to Dm. 70.60.

*

Savings banks in Australia have increased their interest rate on deposits by one-quarter per cent to the new maximum of 2½ per cent. The new rate will be payable on deposits of up to £1,000 in place of the previous £500.

*

The US Air Force has announced that it would build an atomic reactor in Ohio, to test parts and instruments for an atom-powered aircraft.

*

The world oil industry expects to expand its production by 70 per cent during the next decade to 1,200 million tons annually.

*

A world Congress of port and waterway delegates—to be attended by about 800 representatives of 50 countries—will be held in London in July next year. It will be the 19th Congress of the Permanent International Association of Navigation Congress and the first to be held in Britain since 1923.

*

The Australian Government is to increase its subsidy on the cost of merchant ships built in Australia for coastal trade from the present level of 25 per cent to 33-1/3 per cent.

*

The Suez Canal Company has subscribed £1 million in foreign currencies to the Egyptian Government's £E20 million long-term National Production Loan, which will be used for major development projects.

*

It is reported an institute for nuclear research is now being built in Crackow, Poland.

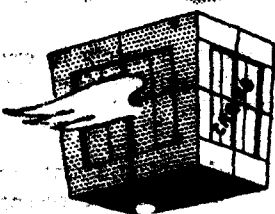
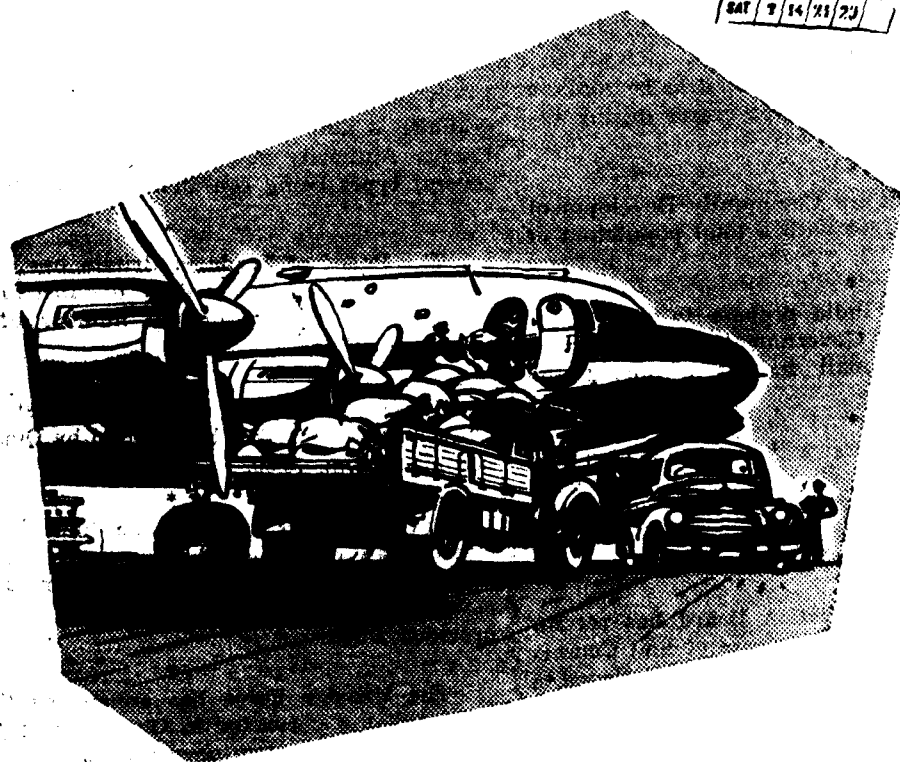
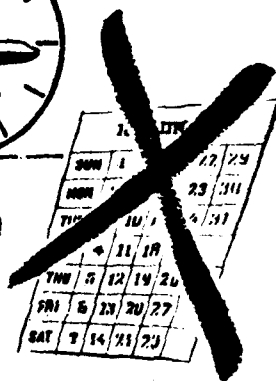
*

Nineteen fifty-five was a record export year for the British glass industry. Glass and glassware worth £19,800,000 was sent abroad—an increase of £5,900,000 over 1954.

Sell by the clock



not by the calendar



Delivery in hours, instead of days or even weeks. And often it costs you less to get your samples, orders, replacements and spares there first. You save on warehouse costs, cheaper packing, lower insurance and less danger of damage by handling. It will pay you, too, to get your representatives there first!

For complete information write to your local B.O.A.C. Forwarding Agent or B.O.A.C. the Taj Mahal Hotel, Bombay-1, Phone: 36147, 37141 and 37142 or 41 Chowringhee (entrance Middleton Street), Calcutta-16. Telephone Pk. 443671/76.

FLY YOUR CARGO BY



B.O.A.C.

BRITISH OVERSEAS AIRWAYS CORPORATION

The Business World

DETERRENTS TO DEVELOPMENT

By
CROESUS

AS was only to be expected, the question of the curb on production by the factory consumer goods industries formed the main theme of the address of Mr G. D. Somani, M.P., the retiring Chairman of the Millowners' Association, Bombay, at the annual meeting last Tuesday (April 24). There was nothing new in what Mr. Somani said on this subject on the occasion. But the persistence with which spokesmen of mill interests like Mr. Somani have been urging a reconsideration of the Planning Commission's decision on this subject, especially in so far as it relates to the cotton mill industry, must convince anybody that it is not merely self-interest that prompts them, but that there is something more than that, namely, the interest of the country at large. In the interest of the country, it is significant that Mr. Somani approves of the high priority to the development of basic industries that has been assigned in the second Plan. He even approvingly quoted in this context what the Soviet planners said about their plans: "We shall continue in every way to develop heavy industry... We must always remember that the heavy industry is the foundation of foundations". But, while endorsing this view which some at least do not feel like endorsing in the peculiar circumstances of this country today—the retiring chief of the BMA reiterated his plea that efforts should also be made to increase consumer goods commensurately with the demand therefor which the additional flow of money in heavy industries generates. He was even convinced of the awareness of the Planners to the need to keep such a balance in the economy and complimented them on their efforts to augment supplies of consumer goods by the maximum utilisation of capacity in existing industries and by the harnessing of capital-light and small-scale industries for the development of additional production. Whoever questions the wisdom of this decision? It is only the feasibility aspect of the question that has been causing all the controversy. It cannot be said that, even in official circles, there is complete unanimity on the point that the additional production needs under the second Plan should wholly, or even mainly, be entrusted to the small-scale industries. Outside Government circles, there is an increasingly large section of public which has begun to look askance at the temerity with which the Planning Commission and some enthusiasts of small-scale industries are, in what they consider to be a service to the small-scale industry, almost leading the country to a dangerous precipice.

The Karve Committee, which was set up by the Planning Commission to prepare a scheme, industry-wise, for the utilisation of resources to be earmarked for purposes of these industries as an integral part of the second Plan, recommended that production by mills and powerlooms should be limited to the level already reached, namely, 5,000 million yards and 200 million yards, respectively, and that of the increased demand during the Plan period, that is, something like 3,200 million yards, should be met by expansion of handloom production. This committee further suggested the employment of the Ambar Charkha to provide the additional requirement of yarn for the purpose. It is not necessary to highlight here, after having said that, even in official circles, there has been no unanimous opinion on this subject, that two members of even the Karve Committee have held the view that it is unlikely

that the handloom sector would be able to produce by 1960-61 more than a total of 2,500 million yards, or 1,000 million yards over and above its present production, meaning thereby that the deficit would have to be made up only by suitable expansion of mill production and production by powerlooms. These dissenting members, it is noteworthy, recommended that maximum facilities should be afforded to powerlooms to increase their production cent per cent and only thereafter allow the balance, that is, about 500 million yards, to be allotted to the mill industry. In other words, they endorsed the Kanungo Committee's recommendation of a target of 5,500 million yards (inclusive of 500 million yards, exclusively meant for export, in addition to the normal exports for the cotton mill industry). Probably because of this controversy, the draft outline of the second Five-Year Plan has conveniently omitted to make a mention of the targets for the various sectors of the industry. Or, presumably, it indicates that the Government has still an open mind on the question. It is just as well, therefore, that Mr. Somani availed himself of the occasion to put forward his views once again on the subject.

The points that the retiring BMA chief made were, (i) that whatever the target of production, it is doubtful whether the handloom industry will be able to produce anything beyond 2,000 million yards per annum, except at enormous cost to the consumer in the shape of taxes and levies on the mill industry to subsidise the handloom and the Ambar Charkha cloth; (ii) that unless the consumer goods industries are galvanised to generate more goods in time, the result would be either inflation or non-fulfilment of the investment planned, as the planners themselves have apprehended in view of the inflationary impact due to deficit financing of the last two years of the first Plan and the still larger dose of deficit financing contemplated in the first year of the second Plan, (iii) that the planners should take a realistic view of the situation and provide for augmentation of the mill industry's productive equipment commensurately and in time, lest our consumption standards which are already low are further diluted, and (iv) that the millowners are not averse to handloom interests but are only anxious that the latter should stabilise themselves on the lines suggested by the Kanungo Committee.

As far as it occurs to any reasonable person, I feel there should be no difficulty in accepting the suggestion of the Kanungo Committee that the handloom interests should endeavour to convert their present handlooms into improved types of handlooms to begin with and then to switch over to powerlooms eventually. But there would appear to be as strong an objection to the encroachment of powerlooms as that of the mill industry in handloom circles. This is at once short-sighted and almost makes nonsense of the enormous efforts that are being made to develop the power potential of the country and to bring electric power within the reach of even the humblest home in the village. It would be a red letter day in the annals of this country when this happens, and it is not difficult to visualise the great day, what with all the multi-purpose river valley projects and the thermal projects that are in progress today, in the not distant future. With this

prospect, one would have thought that the natural reaction would be for people to take the maximum advantage of the available electric energy, which means the employment of more powerlooms, in so far as the cottage and small-scale sector of the cotton textile industry is concerned. Unfortunately, those who speak for the handloom industry suffer from more inhibitions than the handloom weavers themselves and are trying to perpetuate, of course with the best of intentions, an order of things which would be neither helpful to the handloom weaver nor to the country.

One of the important considerations that must have weighed with the Planning Commission and the Government in selecting cottage and small-scale industries to play their role in adding to the production of consumer goods in the Plan period is that these are more labour-intensive and less capital-intensive. As Mr. Somani said, this is the prime consideration which has prompted the Government to buttress the cause of the Ambar Charkha and the handloom weaver. He was therefore quick to retort—and, in doing this, he has only followed the Union Finance Minister—"The contemplated expenditure of Rs. 100 crores on the Ambar Charkha and Rs. 80 crores on the handloom by way of subsidies or otherwise can, by no stretch of imagination, be termed 'capital-light' but, on the other hand, it may ultimately turn out to be a colossal waste, for very powerful reasons." The Government, in their enthusiasm for creating more employment, are only attempting to prop up inefficient and outmoded methods of production. The Ambar Charkha and the handloom will not be able to achieve the targets assigned to them, while the productively efficient mill-sector is prevented by artificial curbs from expanding its production to meet the increased demand during the Plan period. Such a policy will only lead to the opening of Pandora's box and, if the present market trends are any guide, the possibility of emergence of a cloth famine in the country in the near future cannot be ruled out, as the available production will be grossly inadequate to meet the greatly increased demand, on the one hand, and incomes during the Second Plan period increasing appreciably, on the other. It does not require a prophet to predict that the result in such an event would be inflation. It should not be forgotten that 70 per cent of the consumption expenditure of an average Indian is taken up by his food and clothing, and that should indicate the extent of suffering that the planners would be directly responsible in bringing about if they were to persist in sticking to the targets urged by the Karve Committee.

I do not know if the appeal to the business community with which Mr. Somani concluded his address (that, in spite of many handicaps and difficulties with which they are faced, they should continue to offer their constructive cooperation in the herculean task of building a new India) provoked Mr. J. C. Burns, the incoming Chairman of the Association, to make this comment on the Second Plan—(here, I must digress to convey my warm felicitations to Mr. Burns, through this column, on his being elected as the Chairman of the BMA, for he is the first European to be so honoured after independence, and that is saying a great deal not only about the intensely cosmopolitan spirit of Bombay but also about the capabilities and qualities of Mr Burns as a spokesman of the textile industry): "One hears and reads a great deal now-a-days of the private sector being exhorted to play its part in the second Plan. The private sector played its part very fully in the first Plan—if it erred at all it was in overplaying its part and I personally am unaware of any reluctance on the side of the private sector to play its part equally in the second Plan. The need of the moment, in my view, is for the private sector to be told just exactly what part it is expected to play in the second Plan and

exactly what will be the conditions under which it must play that part. Its role must be clearly defined and, having been given the part, it must surely be given freedom to play it".

Be that as it may, I entirely agree with Mr. Burns in having raised this point and further in the plea that he made that, when re-writing the statement of industrial policy of 1943, the Government should be as categorical as possible so that all concerned may know just exactly where they stand. As he said, once stated, the policy should remain undisturbed at least until it is found necessary to state it again, and, in the meanwhile, responsible spokesmen should be discouraged—I would say, forbidden—from drawing their own inferences and giving their own interpretations of it, thereby merely raising doubts as to whether the policy remains unaltered or is about to be changed.

As Mr. Burns rightly said, uncertainty is the greatest possible deterrent to development. The latest instance of how development could be, or has been, impeded by an impending statement of industrial policy is perhaps to be found in the postponement of oil prospecting talks between representatives of the Government of India and the Assam Oil Company for the formation of a company to be in charge of oil prospecting in the Assam valley. Although the explanation given in press reports is that the postponement is to enable both parties to have more time to consider various aspects of earlier proposals, I have my own reasons to believe that the talks have been postponed pending the new Statement on Industrial Policy.

There is another problem to which Mr. Burns made a reference in his speech, and it is sufficiently important because it comes from the President of BMA and a spokesman of the Indian cotton mill industry, an industry which still maintains a high place in regard to earnings of industrial workers in the country. Mr. Burns was alluding to experiments that are being urged to be carried out in select industrial establishments in the matter of constituting Councils of Managements of representatives of workers, technicians, and employers. Although employers have accepted this in principle, it was Mr. Burns' view that they should rather hasten slowly in the introduction of such a step. The reason for his cautioning thus is that, if such an experiment should succeed it would have to be approached in the right spirit. As he remarked, "it should not be overlooked that management is a science; it is just as much a skilled job as that of any skilled worker. The knowledge and the experience needed for good management are not lightly acquired; they are the result of years of labour, and it is not everybody that has the necessary aptitude." The danger inherent in a step such as this is that a measure honestly intended to make for harmony, may have the very reverse effect of it and merely lead to bickerings and misunderstandings through lack of knowledge and inexperience.

This, however, should not be mistaken to be a half-hearted support on the part of Mr. Burns to a highly laudable measure of reform as some believe. For his genuine interest in good industrial relations cannot be questioned by anybody, especially after the prominent part that he played in bringing about an agreement between the Association and the representative union (of mill workers in Bombay) regarding payment of bonus for the five years, 1953-57. This agreement illustrates, as he highly observed, what can be done if both employers and the representative unions approach a problem with the intention of finding a solution, and it is to be hoped that this would be a forerunner of good relations and the adoption generally of other similar means of settlement in the future. In this connection, Mr. Burns also broached the question of

setting up a joint negotiating machinery for settling differences of labour matters, about which a reference had been made by Sir Vithal Chandavarkar at last year's annual meeting of the BMA. Regretting that no progress had been made in implementing this laudable intention, Mr. Burns explained that the delay was not due to any unwillingness or hesitation on the part of millowners but due to the fact that the representative union declined to consider any other question pending a settlement of the bonus question. Now that the bonus agreement has been signed, it may be expected that the agreement on joint negotiating machinery will soon be a 'fait accompli'. Perhaps this and an agreement with the representative union regarding extension of the four-loom-to-the-weaver system to more units in the industry remain to become the achievements of Mr. Burns during his chairmanship.

Finally, there is a topical propriety in the reference that Mr. Burns made to the consumers' retail price index number (the old working class cost of living index number). This is of paramount importance to textile interests in Bombay, because it is this index number which determines the extent of dearness allowance payable to textile workers. Mr. Burns referred to the strange tendency of the Bombay city index relative to the strange tendency of the Bombay city index remaining impervious to change until the end of 1954 when there was a steep decline in most index numbers throughout the country, not excluding Bombay State. Although slow in registering a decline thus in the past its sensitiveness cannot be impeached, it seems, judging from the pronounced tendency to rise that it has shown during the last two or three months. The reason, of

course, is the sharp rise in prices of cereals and rice, and it is the price of rice, as Mr Burns pertinently pointed out, that largely composes the food group in the consumers' weekly index. While he, therefore, demanded that effective steps be taken to prevent the rise in prices getting out of hand, he also urged a re-examination of the weights employed in compiling the consumers' retail price index. Fortunately, his plea comes just at a time when the Government of India and State Governments also are proposing to institute a fresh enquiry with a view to initiating a new series of index numbers with a common base year. Who will not endorse the new BMA Chief's remark that the index number has assumed great importance since the post-war years and, for the same reason, who will not share his view that it is in the interests of both workers and employers that the indices in the country should be uniform, besides being a true reflection of conditions as they are today and not as they used to be?

RECORDS & STATISTICS (QUARTERLY BULLETIN)

Editor: R. V. MURTHY, M.A.

"The Eastern Economist" Bulletin of Records and Statistics surveys economic trends in each quarter in India and abroad with the aid of graphs and all available statistics. One of its special features is the Investment Supplement.

Annual subscription	Rs. 12
For subscribers to "The Eastern Economist"	10
Single copy	3

Copies can be had from all important Booksellers and Railway bookstalls of Messrs. A.H. Wheeler & Company

For details write to:

THE EASTERN ECONOMIST

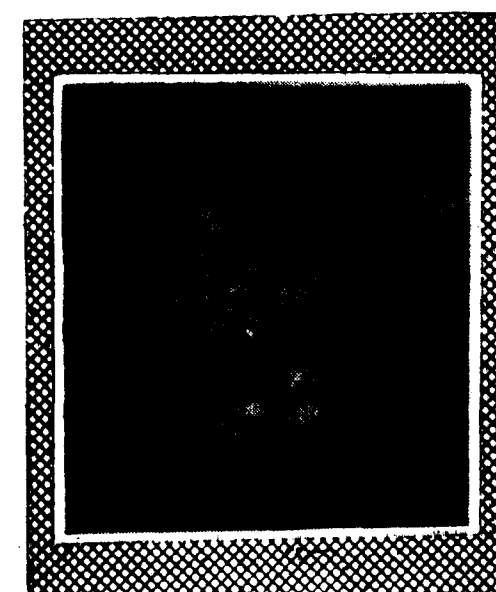
NEW DELHI: 52, Queensway.

BOMBAY: Kermani Bldg., Sir P.M. Road, Fort.

CALCUTTA: 28 & 29, Royal Exchange Place Extn.

LONDON: 3, Salisbury Court, Fleet Street.

NEW YORK: 25, Broadway.



AL-IND
ALL ALUMINIUM
*for low voltage
distribution lines*

Savings up to a minimum of 40 percent are assured by a switch to ALIND all-aluminium conductors. For short span, low-voltage distribution lines, ALIND all-aluminium conductors provide the most economical answer.

**THE ALUMINIUM
INDUSTRIES LIMITED**

*Leading Manufacturers of Aluminium
Cables and Accessories*
KUNDARA : T. C. STATE

BUSINESS NOTES

JUST OUT
INVESTORS ENCYCLOPAEDIA
 1955-56 EDITION

Contains Exhaustive particulars of almost all Limited Companies whose shares are actively dealt in the principal Stock Exchanges in India.

All particulars at a glance with provision of Thumb Index. Very valuable for all connected with Stock Exchanges and for Company Executives.

Price Rs. 20/-.

Postage Rs. 3/- Extra.

Copies available with all leading Book Sellers or directly from

KOTHARI & SONS,
"Oriental Buildings",
P. B. No. 267,
MADRAS-1.

**You are cordially
 invited**

to use the services of

THE UNITED COMMERCIAL BANK LTD.

Head office Calcutta

FOR ALL YOUR BANKING NEEDS



Authorised Capital ...	...	Rs. 8 Crores
Paid-up Capital ...	...	Rs. 2 Crores
Reserve Fund ...	...	Rs. 95 Lacs

G. D. BIRLA
 CHAIRMAN

S. T. SADASIVAN
 GENERAL MANAGER

Rupee Travellers' Cheques issued in convenient denominations.

OPERATION SPECULATION

THE REACTION so far of the authorities to appreciation in prices, be it in commodity markets or shares, could only be likened to that of a bull at the sight of a red rag. At a time when the inflationary psychology is steadily seizing hold of the people, following a sizable increase in the money supply with the public that has already taken place, not to mention the heavier deficit financing that the Union Finance Minister has been hinting off and on, and the more sizable addition to the money supply in consequence, it cannot lie in the mouth of Government to point an accusing finger at the markets and to say that the spiralling up of prices is mainly due to speculation. Nor is the assumption of what amounts to almost dictatorial powers by Government to check speculation an answer to the problem, but this is exactly what has been in increasing evidence of late. And, as is only to be expected, in nearly all cases, such has definitely proved to be to the detriment of the concerned trade, without, at the same time, any success to Government's efforts.

A striking illustration of Government's inefficient handling in this respect is provided by the Bombay cotton futures market. Attributing the rise in prices to gambling, the Forward Markets Commission banned futures trading in cotton as far back as on December 24, 1955. Although the Commission lifted the ban on January 7, there has been no resumption of forward trading worth the name till todate. All things considered, the blame for creating such a vacuum in cotton trading must be placed squarely on the shoulders of Government. But, then, the Forward Markets Commission, which won a legal victory, when dragged to a court of law by the trade in connection with the case to decide whether the emergency resolution declared by the East India Cotton Association was taken under coercion or not, was apparently emboldened by its success to assume more and more powers. It is a pity that the Commission failed to realise that what the Court did was only to interpret the law as it stands and not to decide where the moral justice lay. Anyway, in the event, the existence of even so accredited and long-established an organisation like the East India Cotton Association was practically ignored on one pretext or other, and increasing powers of regimentation were assumed by Government. These were being put up with patiently by the trade up to a point, but, when the limit was reached, there was naturally strong resistance which was climaxed by the resignation, the other day (April 20), of Sir Purshotamdas Thakurdas, President of the E.I.C.A. for the past 30 years. This veteran of the cotton trade for over three decades succinctly put the whole problem in a nutshell, when he stated, in his letter of resignation to the E.I.C.A.: "I do not think that, when the trade accepted Government supervision, they expected to have to more or less surrender their initiative and to content themselves merely with carrying out the wishes of the Forward Markets Commission, both in the matter of prices and in the matter of day-to-day operations". Recalling his past struggles against an alien government to secure independence and democratic control in the management of cotton trade, Sir P.T.—as he is affectionately known to the trade—added: "I have worked so long to preserve this independence through difficult times. But I cannot fight our Government, nor do I seem to be able at this juncture to carry them with me". It is a great pity that things should have reached this pass.

Recent events amply demonstrate that the Forward Markets Commission is not content to stop at being just an impartial supervising body, as it ought to be. It insists on and must needs go beyond its orb to assume

wide powers amounting to virtual displacement of associations which have been specially instituted to conduct the affairs of a trade and have been functioning for years as such. Forward trading, with its inherent scope for speculation does, at times, call for Government intervention, but the idea of Government imposing its will on the market at each and every stage is hardly conducive to the healthy development of free enterprise and private trading. It is like the old type Hindu mother-in-law ever conscious of her being a mother-in-law trying to assert her right as a mother-in-law. It should always be borne in mind that, to be effective, the fight against all gambling and unhealthy speculation in markets can only be conducted with the active co-operation of the people concerned in the trade itself. Unfortunately the Forward Markets Commission has failed to realise this. The way it is going about, it is hardly likely to succeed in winning genuine friends in the trade and influencing the markets properly.

PROGRESS OF CIVIL AVIATION

EVEN AFTER the nationalisation and complete integration of the airlines operating in the country, the departmental half-yearly reports issued by the Civil Aviation Directorate continue to follow the old routine pattern. One of the conspicuous omissions in this conventional pattern is the total absence of the results of financial working. The latest report for the half year ended December 1955 has been released three and a half months after the expiry of the period. Now that the multiplicity of the airlines operating the internal services had been ended and the Indian Airlines Corporation has emerged as the single successor to them there should be no difficulty in giving at least provisional financial statistics to show the comparative picture. This is important in view of the fact that the IAC is operating at an appreciable loss. Another flaw in this conventional pattern of reporting is to present comparative figures relating to the previous half-yearly period. This practice ignores the important element of seasonal fluctuations in air traffic which is very much influenced by the duration of the monsoon season. Progress, stability or set-back under certain heads of operation, whatever may be the case, would be fairly judged if the corresponding period of the previous year is selected for the comparison.

In the latest report, for instance, the total number of passengers carried by the IAC on its schedule services is stated to be 193,635 as against 213,353 in the first half of 1955. This is a substantial decrease. If it is read in conjunction with the statistics relating to the total number of miles flown, which show a good increase, it appears on the face of it somewhat puzzling. The simple explanation is that the decrease in passengers carried is explained by this seasonal factor. As is usual, the volume of freight and of mails carried shows an upward trend. This is as it should be because civil aviation has a reasonably good scope for development.

One of the reasons assigned for nationalisation was the necessity for discarding the Dakota aircraft on the ground of obsolescence. The report states that the process of substituting larger aircraft is under way. Three Skymasters were acquired during the period while orders for five four-engined Viscount turbo-prop aeroplanes were placed. Two new feeder services were started by engaging Heron aircraft and the frequency on one feeder route was increased from thrice per week to seven times a week. This gives reassuring proof of expanding the feeder services. Information on the economics of Heron aircraft would be interesting. Likewise, it would be interesting to know the financial benefits of substituting Skymasters for Dakotas on the

tax-payer has a legitimate reason to expect financial information in these half-yearly reports.

ANOTHER RECORD YEAR FOR DUNLOP

DURING THE calendar year 1955 the Dunlop Rubber Company (India) Limited achieved a new record in output. Throughout the year the factory worked to 100 per cent capacity. This level of output brought in its train record level of employment. The consumption of crude rubber in 1955 exceeded the previous year's volume by 10 per cent. An idea of the heights reached can be gathered from the fact that consumption in 1954 which was the earlier all-time high was itself 18 per cent above consumption in 1953. This dynamic trend has now come to stay. Stressing this outlook for the rubber manufacturing industry, Mr. Cecil Stack, Chairman of the Dunlop Rubber Company, assured the shareholders at the last annual meeting that the company was fully armed to fulfil its part in the second Five-Year Plan as the leading manufacturer in the country.

While the situation in regard to the supply of most raw materials did not create any difficulty, there was a vital exception in the case of crude rubber. As against the production of rubber in India of 22,481 tons in the last year, consumption by rubber manufacturers alone was as high as 27,643 tons. The gap of a little more than 5,000 tons had to be bridged by means of imports. Of this quantity more than half was imported by Dunlop, who had to face strains of precarious stock position which are attributed, among other factors, to the great difficulty in obtaining import licences from the Government. In terms of prices imports entailed heavier liability. It will be recalled that the controlled price of domestic rubber was raised from Rs. 138 per 100 lbs. before the first increase early in 1955 to Rs. 155-12 in September. The price of imported rubber ranged as high as Rs. 207 from the minimum of Rs. 144.

In a pithy observation made at the outset of his speech, Mr. Cecil Stack has drawn the Railway Ministry's attention to a disconcerting problem which threatens to assume grave proportion during the period of the second Plan. Distribution was held up and delayed on account of repeated shortages of railway wagons. The Chairman's warning that the anticipated acute shortages call for "the most serious attention" ought to be heeded by the Railway Ministry in good time.

REORGANISING COIR INDUSTRY

THE REPORT of the working of the Coir Board for the half-yearly period ended September, 30, 1955, which was placed before the Lok Sabha last week, indicates that the Board has got off to a good start. In this preliminary period of planning of its work it has taken quick and realistic decisions for the reorganization as well as rationalisation of the coir industry in suitable stages. This small-scale industry has an enduring market at home as well as overseas, but the overseas market needs to be consolidated and developed by the competitive strength of the products. Now that the industry is being organised on a national scale the Coir Board has made a decision to set up a coir research institute near Ernakulam. A branch of the institute associated with a model factory is to be set up at Calcutta. The outlay for these schemes in the second Plan is estimated at Rs. 13 lakhs. The Board considers it quite feasible to fix a target of increasing the production of coir yarn by 5,500 tons in the second Plan. This is expected to absorb an additional 10,000 workers.

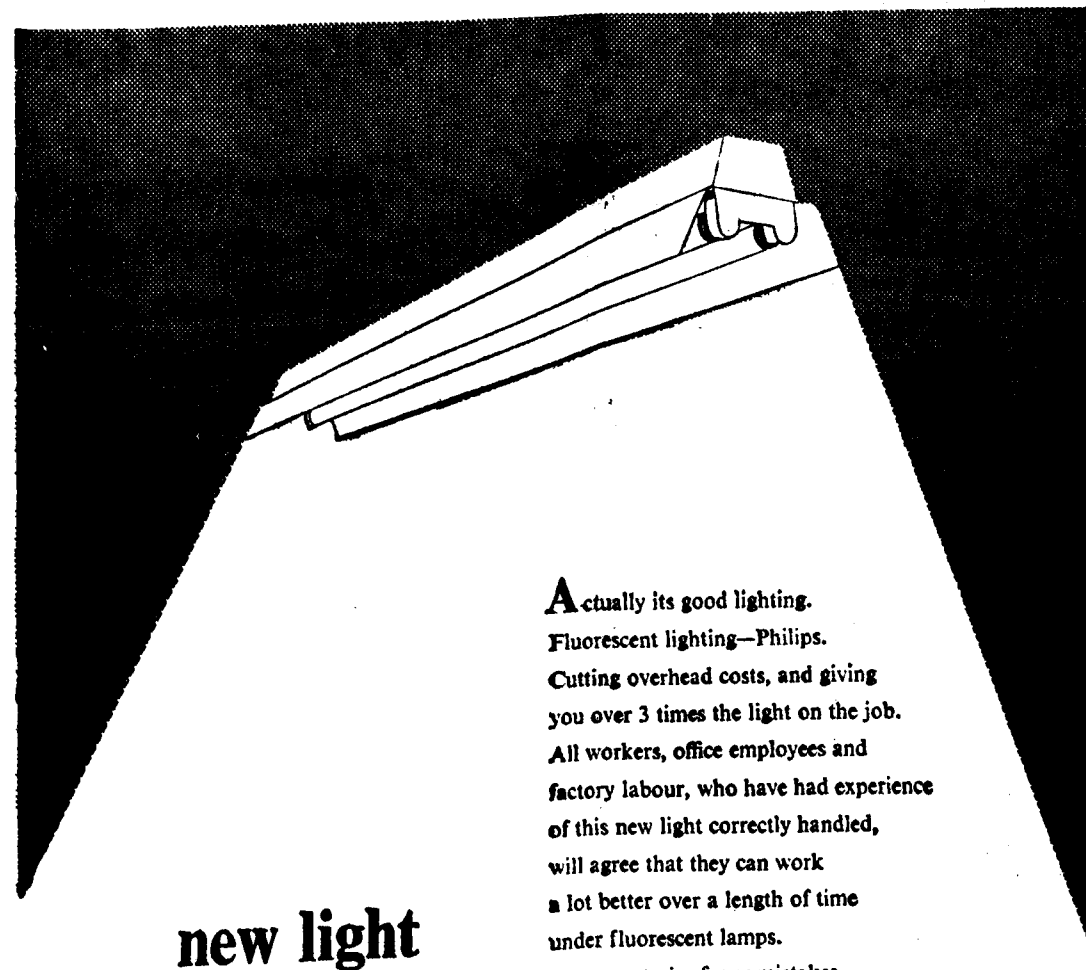
It will be recalled that Dr. Franz Wilhem, President of the Union of European Coir Industry, was on a business tour here in India in August last year. He emphasised that coir yarn export for the European manufacturing industry should be linked with continuity of supply and reasonable levels of prices. This is evidence of the fact that additional output can find market in Europe. Nevertheless, the Board has emphasised that, while export of yarn would be welcomed on the lines proposed to strengthen the base of the developing coir industry, there ought to be a switch-over to export of coir products.

The Board has asked for wider statutory powers for the integrated development of the industry. It has pressed that the development scheme for coir in Travancore-Cochin should be placed under its administrative control, subject to the continuance of financial contributions by the Central and State Governments as at present. Similarly, it has asked for transfer of control to itself of the co-operative schemes for coir already started in other States. A vital proposal which the Board has made for marketing and passing on a reasonable share of the income of yarn to the producer is to start licensed ware-houses under its control, for which legislation has been suggested. In the first instance, the system of regulation for passing coir yarn through licensed ware-houses has been recommended in respect of yarn intended for export. All these proposals indicate that rationalised production and marketing need not present insuperable difficulties.

OUTLOOK FOR HEMP

HEMP IS steadily emerging into a position of increasing importance in the market for fibres. At last annual general meeting of the Indian Hemp Association the possible expansion of hemp in the immediate future was the main theme of the presidential address. The Chairman, Mr. B. L. Jalan, expressed optimism that the time was not far away when the supply of hemp would be unable to cope with the domestic demand as well as the demand overseas. In the search for additional fibres, hemp has come in for not a little attention. Inside the country itself there have appeared indications that the domestic rope, cordage and paper manufacturing industries have been increasing their consumption of hemp as a raw material. So far no systematic attempts have been made to increase the supply of hemp either by evolving better seeds and improved methods of cultivation or by bringing a larger acreage under this crop. Mr. Jalan is of the view that the patronage which is being extended to this fibre crop should turn the attention of the Government as well as the trade to developing hemp cultivation on an organised basis.

The relative stability of the prices of hemp in the context of fluctuations in the prices of other fibres attracted a larger demand for hemp. It is not as if speculative selling is insignificant in the hemp trade and Mr. Jalan has issued a warning to traders to keep forward trading within reasonable limits. The paper industry has expressed concern at the export of hemp rope cuttings which are feared to affect its demand adversely. The Association's Chairman is emphatic that this anxiety is not warranted by the facts of the situation. Total collections of hemp rope cuttings were about 8,000 tons per annum and out of this quantity the requirements of the paper industry were expected, on a reasonable estimate, not to exceed 45 to 50 per cent. In view of a large surplus, the Chairman fully endorsed the Government's policy of permitting free exports and urged its continuance.



new light
on your
overheads

Actually its good lighting.

Fluorescent lighting—Philips.

Cutting overhead costs, and giving you over 3 times the light on the job.

All workers, office employees and factory labour, who have had experience of this new light correctly handled, will agree that they can work a lot better over a length of time under fluorescent lamps.

Less eye-strain, fewer mistakes, quicker work, and an improved general atmosphere, these are the results of better lighting. And working tests have proved that Philips Fluorescent Lamps, used with quality control gear, have a burning life of 7500 hours, which is just about 4 years. These are a few reasons why Philips Fluorescent Lamps & Fittings are being installed in homes, offices and factories throughout the world.

PLANNED LIGHTING BY PHILIPS

Philips are fully prepared to provide you, without any obligation on your part, advice for a planned lighting system.

Call them in and discuss it. Philips Electrical Co. (India) Private Ltd.



PHILIPS
make light work for you

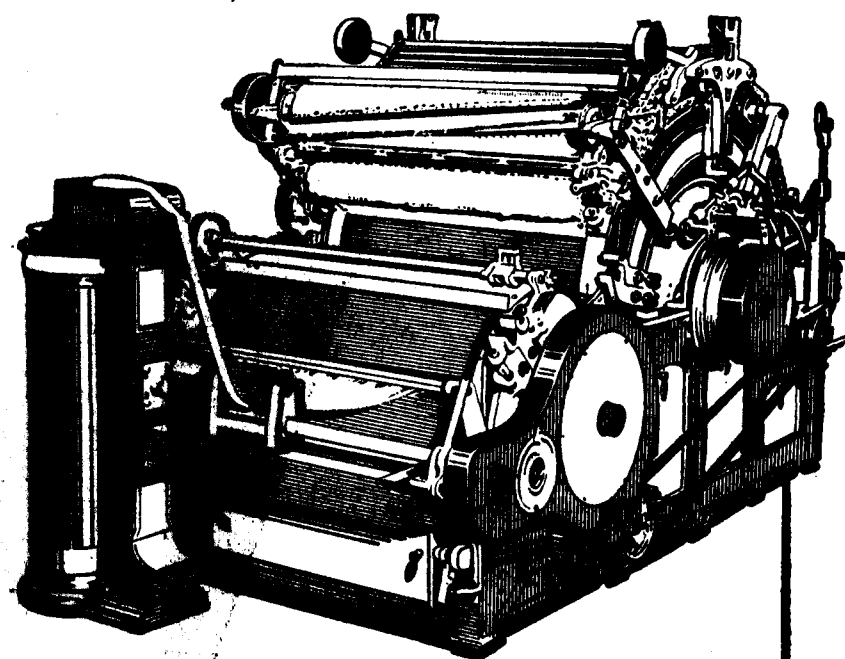
Calcutta-Bombay-Delhi-Madras-Patna-Kanpur-Lucknow-Bangalore

PLX 67



revolving flat cards

are now being extensively used
in Textile Mills in India.
Their efficiency is undisputed,
their reliability guaranteed.



MACHINERY MANUFACTURERS CORPORATION LTD.

Factory: Sonai Works, Kidderpore, Calcutta 23.

Managing Agents:

MAHINDRA & MAHINDRA LIMITED

Head Office: Gateway Building, Apollo Bunder, Bombay.
Calcutta Office: Hall & Anderson Building, Park Street.

Outstanding features

- 1 Five distinct setting points, used singly or in combination to control setting to .001 inch.
- 2 Johnson bronze bearings for cylinders and doffers. Roller bearings to cylinder; ball bearings to doffer and ball bearing comb box also provided as optional equipment.
- 3 Ball bearings to lick-in pedestals.
- 4 Self-lubricating 'Olite' bearings at several locations.
- 5 William's patent stripping motion for flats.
- 6 Drop lever with new disengaging handle.
- 7 Fluted lap roller with positive gear drive from feed roll helps uniform feed of lap at the back with minimum possible stretching.
- 8 Cards can be geared for any production in a mill organization.

COMPANY AFFAIRS

BHARAT NIDHI LTD.

The Company's working in India during the year 1955 has resulted in a net surplus of Rs. 17,69,920 showing an increase of more than 50 per cent over the figure of the previous year which stood at Rs. 11,63,241. The figures are exclusive of the accounts of the Company's working in Pakistan which had not been received. The net surplus has been transferred to the general reserve as in the previous year.

The Directors have recommended payment of the following dividends, without deduction of income-tax, for the year under review from the General Reserve account: On 53,572 Preference Shares at Rs. 6 per share, absorbing Rs. 3,21,432; on 8,07,182 Fully Paid Ordinary shares at As. 10 (or 6½ per cent) per share absorbing Rs. 5,04,480 and on 26,83,262 Partly Paid ordinary shares at As. 2/6 (or 6¼ per cent) per share which absorbs Rs. 4,19,260.

At the end of the year under review, there was appreciation of the order of Rs. 70 lakhs in the Company's holdings of shares and debentures in joint stock companies, thereby strengthening the Company's position. In fact, during the last few years, the Company's working has shown progressive improvement; while investments have increased, loans have come down.

CAWNPORE SUGAR WORKS LTD.

The trading results of the Company for the year ended October 31, 1955, after providing for all charges including provisions for taxation (Rs. 6½ lakhs) and depreciation (Rs. 3 lakhs) show a surplus of Rs. 8,07,327. From this are deducted the rehabilitation reserve amounting to Rs. 4 lakhs and Rs. 80,000 for contingencies reserve, leaving a balance of Rs. 3,27,327. The carry forward from the previous year of Rs. 59,696, when added to this sum makes available a total of Rs. 3,87,023 for disposal. The Directors have recommended payment of dividends on Preference and Ordinary Shares, both free of income-tax, for the year under report at 8 per cent per annum and As. 12 per share respectively. These dividends absorb Rs. 80,000 and Rs. 2,25,000 respectively, leaving a balance of Rs. 82,023 to be carried forward.

The quantity of cane crushed by the two factories, Gauri and Marhawrah, during the year has shown considerable increase over the previous year. Marhawrah Factory crushed 32,62,453 maunds with a recovery of 10.21 per cent. The 24,14,693 maunds crushed by the Gauri Factory was its highest ever recorded and the recovery was at 10.68 per cent. However, while the efficiency in operations was satisfactory, despatches of sugar, according to the Directors, were adversely affected by inadequate railway transport facilities.

The sugar produced in the country during the year was at the record figure of 16 lakh tons, which is also the figure of consumption on a rough reckoning. With the imported 6 lakh tons of sugar during the period the prices had shown a downward trend, and with the increase in the excise duty by Rs. 1-6 per maund, the trading results of sugar companies have been affected.

As for the Company's distilleries, while the Marhawrah distillery has shown a modest profit, the Cawnpore distillery has incurred a further loss which has been attributed to the higher cost of molasses.

THE INDIA SUGARS AND REFINERIES LTD.

The Directors' report and accounts of the Company as at September 30, 1955, show that after providing Rs. 1,94,295 for bonus to employees, and Rs. 6 lakhs for reserve for taxation and contingencies, the profit for the year amounts to Rs. 5,39,538. Adding the carry forward, of the previous account, of Rs. 4,32,688 the total sum available for appropriation is Rs. 9,72,226. A 7½ per cent dividend, less tax, on the preference shares absorbs Rs. 9,218. A sum of Rs. 4,40,690 is absorbed by paying 14 per cent, income-tax-free dividend on 3,14,778 ordinary shares, which leaves a balance of Rs. 5,22,318 to be carried forward. The percentage of dividend appears reduced, but the quantum of dividend paid for the year registers an increase over the previous year's payment, representing nearly 27.5 per cent, tax-free, on the cash invested in the Company's ordinary capital.

During the year under report 27,609 tons of cane were crushed to yield an output of 13,067 tons of sugar, which is a record for the Company.

ORIENT PAPER MILLS

The report submitted by the Directors of the Company for the half-year ended September 30, 1955 indicates favourable results. After payment of the Managing Agents' remuneration of Rs. 6.86 lakhs, Directors' remuneration of Rs. 80 thousand, and after providing for depreciation a sum of Rs. 6 lakhs and for Taxation Rs. 20 lakhs, allocating Rs. 8.38 lakhs to Dividend Equalisation Fund, Rs. 7 lakhs to Development Fund and taking into account the balance of the previous half-year, there remains a surplus of Rs. 14.11 lakhs. A dividend at the rate of 5½ per cent per annum is to be paid on Preference Shares. Dividend on Ordinary Shares has been decided to be paid at the rate of As. 10 per share of Rs. 10 each. A sum of Rs. 2.3 lakhs has been carried forward.

The Mill worked satisfactorily during the period under review. Since the last report, the Lime Sludge Reburning Plant and the Coating Plant have been commissioned. Erection of a new boiler and Black Liquor Evaporation Plant are near completion. Other erection and modernization work is also progressing satisfactorily.

THE TRAVANCORE OGALÉ GLASS MFG. CO. LTD.

The working results for the year ended December 1955, show that the sale of bottles worth Rs. 7.7 lakhs (against Rs. 6 lakhs last year) was a record figure for the Company. There was, however, a net loss of Rs. 24 thousand (after payment of Rs. 44 thousand as Depreciation) against a net loss of Rs. 1 lakh last year. The Directors recommended setting off the debit balance in the Profit and Loss Account against General Reserve of Rs. 1 lakh and the Dividend Equalization Reserve of Rs. 40 thousand.

Arrangements are being made to increase current production. One of the automatic bottle-making machines has gone into regular production and a second is expected to be commissioned shortly, after which prospects are expected to improve.



ORIENT GENERAL INDUSTRIES LTD.

4, Ghore Bibi Lane, Calcutta-11

Sole Distributors:—M/s. REPUBLIC ELECTRICAL CO., 16/25, Katra Baryan, Fatehpuri, Delhi.
Telephone: 23831-(PP)

COMMODITY NEWS AND NOTES

FINAL ESTIMATE OF BLACK PEPPER

According to the Directorate of Economics and Statistics Union Ministry of Food and Agriculture, the all-India final estimate of black pepper for 1955-56 puts the current year's area and production at 214,200 acres and 27,200 tons, as against the partially revised estimate of 208,300 acres and 25,800 tons for 1954-55. Thus the current year's estimate shows an increase of 5,900 acres or 2.8 per cent in area and 1,400 tons or 5.4 per cent in production over last year. The increase in area during the current year has generally occurred in all the black pepper growing States. The increase in production has occurred in all the States except Travancore-Cochin, where production has declined by 100 tons. The increase in production has been attributed partly to increase in area and partly to favourable weather conditions during the flowering and growing periods of the crop.

FINAL ESTIMATE OF BAJRA

According to the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture, the all-India final estimate of bajra for 1955-56 puts the current year's area and production at 27,025,000 acres and 3,400,000 tons, as against the partially revised estimates of 27,983,000 acres and 3,421,000 tons for 1954-55. This shows a decrease of 958,000 acres or 3.4 per cent in area and 21,000 tons or 0.6 per cent in production over 1954-55. The decrease in acreage has been shared mainly by Bombay, Uttar Pradesh, Rajasthan and Kutch and to a lesser extent by Andhra, Saurashtra, Mysore and Madhya Pradesh. The decrease in acreage is generally attributed to adverse climatic conditions at the time of sowing. The decrease in acreage has been offset to some extent by increases registered in Punjab, Hyderabad, PEPSU, Ajmer and Madhya Bharat.

FINAL ESTIMATE OF MESTA

According to the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture, the all-India final estimate of mesta for 1955-56 puts the current year's area and production at 618,000 acres and 1,201,000 bales (of 400 lbs. each), as against the partially revised estimates of 528,000 acres and 1,018,000 bales respectively for 1954-55. This shows an increase of 90,000 acres or 17.0 per cent in area and 183,000 bales or 18 per cent in production over last year.

FINAL ESTIMATE OF RAGI

According to the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture, the all-India final estimate of ragi for 1955-56 puts the current year's area and production of crop at 5,627,000 acres and 1,844,000 tons, as against the partially revised estimate of 5,711,000 acres and 1,846,000 tons respectively for 1954-55. This shows a decrease of 84,000 acres or 1.5 per cent in area and an increase of 198,000 tons or 12.0 per cent in production as compared to last year. The decrease in acreage under ragi during the current year has been shared mainly by Mysore, Bihar, Andhra and Madras and is due generally to unfavourable weather at the time of sowing. Bombay has recorded a slight increase in area during the current year. Despite a decrease in area the production of the crop has increased substantially during the current year. The increase in production is shared mainly by Mysore and is ascribed to favourable climatic conditions during the growing period.

ALL-INDIA FINAL ESTIMATE OF RICE FOR 1955-56

According to the Directorate of Economic and Statistics, Union Ministry of Food and Agriculture, the

all-India final estimate of rice for 1955-56 puts the current year's area and production of the crop at 76,253,000 acres and 25,474,000 tons, as against the partially revised estimate of 75,949,000 acres and 24,531,000 tons respectively for 1954-55. This shows an increase of 304,000 acres or 0.4 per cent in area and 943,000 tons or 3.8 per cent in production during the current year. The increase in acreage under the crop during the current year has been shared mainly by West Bengal, Bihar and Hyderabad and is due to favourable weather conditions at the time of sowing. This increase in area has, however, been offset to a considerable extent by the decreases reported by Uttar Pradesh, Orissa, Saurashtra and Andhra due generally to the prevalence of unfavourable weather at the time of sowing. The increase in production has been shared mainly by Madhya Pradesh, West Bengal, Uttar Pradesh, Bihar, Mysore and Vindhya Pradesh and is mostly due to the comparatively better climatic conditions during the growing period in the current year.

FOURTH ESTIMATE OF COTTON

According to the Directorate of Economics and Statistics Union Ministry of Food and Agriculture, the all-India fourth estimate of cotton for 1955-56 puts the current year's acreage and production at 19,525,000 acres and 3,705,000 bales (of 392 lbs. of cotton lint), as against the adjusted fourth estimate of 17,505,000 acres and 4,072,000 bales respectively for 1954-55. Both the area and production of cotton at the fourth estimate stage registered record figures during 1954-55. As against the adjusted fourth estimate of 17,505,000 acres and 4,072,000 bales respectively for 1954-55. Both the area and production of cotton at the fourth estimate stage registered record figures during 1954-55. As against these, the current year's figures show further increase of 2,019,000 acres or 11.5 per cent in area but a decrease of 367,000 bales or 9.0 per cent in production. The production of cottonseed is estimated at 1,297,000 tons during 1955-56, as against the corresponding adjusted estimate of 1,425,000 tons, thereby showing a decline of 128,000 tons or 9.0 per cent.

FALL IN NORTHERN INDIA TEA EXPORTS

Exports of Northern India tea declined further to 323,270,000 lb. during the year ended March 1955 from 369,690,000 lb. in the previous year and 388,720,000 lb. during 1953-54. The decline in exports was due to poor demand and restrictions on direct tea shipments for London auction, as production in the year under review was about 20,000,000 lb. higher at 533,200,000 lb. The fall in exports was general and with the exception of a few countries shipments to all destinations recorded a decline. Out of a total fall of 46,420,000 lb., the UK alone accounted for 32,710,000 lb., with shipments declining from 261,780,000 lb. in 1954-55 to 299,070,000 lb. during the year under review. Shipments to Australia declined sharply from 7,060,000 lb. to 2,200,000 lb. and those to the Irish Republic from 22,790,000 lb. to 19,080,000 lb. during the year under review. Exports to Red Sea ports, Iran and the Persian Gulf were lower at 3,950,000 lb. 1,690,000 lb. and 1,170,000 lb. respectively. In the dollar area, USA, offtake fell from 22,500,000 lb. to 18,260,000 lb. during the year under review, while the Canadian offtake dropped from 14,050,000 lb. to 10,930,000 lb. Exports to Egypt and Turkey, however, improved to 11,480,000 lb. and 5,320,000 lb. during the year under review from 8,440,000 lb. and 2,000,000 lb. respectively. Shipments to Hamburg and Bremen at 4,550,000 lb. and to New Zealand at 1,010,000 lb. were also a shade better.

Company Meeting

THE DUNLOP RUBBER CO. (INDIA) LTD.

Mr. Cecil Stack's Review

The 30th Annual General Meeting of The Dunlop Rubber Co. (India) Ltd. was held on the 25th April, 1956, in Calcutta. Mr. Cecil Stack, Managing Director, said:

Gentlemen,

The Directors' Report and Accounts for the year 1955 have been in your hands for some time and with your permission I will take them as read.

THE YEAR'S TRADING

From the point of view of volume of sales the year under review may be considered very satisfactory. Progress was achieved in all products and the factory worked to full capacity throughout the year, thus maintaining the highest possible level of employment. In my speech last year I advised you that our consumption of crude rubber in 1954 was the highest recorded, being 18 per cent above 1953. Another record was created in 1955, rubber usings being nearly 10 per cent higher than in the previous year. Nevertheless we had difficulty in meeting the demand for our products which is indicative of the continued expansion of India's economy and the growing importance of our own particular industry. As I suggested on this occasion last year, the level of output and employment will require to be expanded considerably if the demand for rubber products under India's second Five-Year Plan is to be met, and we as a company hope to play our full part.

Distribution of the Company's products was again adversely affected by unsatisfactory transport conditions and shortage of railway wagons. The indications are that this problem will become more acute in years to come and in my opinion it calls for the most serious attention by the Government of India.

Total sales in value were 10 per cent higher than in 1954 but as the result of selling price reductions the net profit at Rs. 96,72,154 was approximately the same as for the previous year and the ratio to turnover declined from 7 per cent to 6.4 per cent before taxation. The price reductions on this occasion arose out of Government's implementation of the Tariff Commission's recommendations regarding tyre prices. I do not propose to comment on the Commission's report other than to say we do not necessarily agree with some of the findings but this has not in any way affected our relations with the Government which I am pleased to say remain satisfactory.

PRODUCTS

In the Rubber Industry in recent years the most intensified research has been undertaken in relation to new varieties of raw materials and new methods of manufacture. Development work continues on a vast scale and no manufacturer can afford to stand still. In this respect we are fortunate in having available the benefits of Dunlop research activities not only in Great

Britain but in many other countries, notably Canada, United States of America, Germany, France and Malaya. Our technical staff are in constant liaison with the world-wide Dunlop Group research organisation, which ensures that the most modern production methods, equipment and materials are available to us.

The Dunlop Trakmaster Giant tyre, which is specially designed for rough roads and cross country routes, has proved most popular and it is hoped that this year supplies will be sufficient to meet all demands. Another important development has been the introduction this year of the new Dunlop Roadster Giant tyre which I have no doubt will be equally successful. This tyre has been thoroughly tested in many countries of the world on some of their worst roads and results everywhere have been outstanding. The tubeless car tyre which your Company were first to introduce in 1954 has given excellent results and is now being fitted as original equipment by most car manufacturers.

Further progress was made in our sales of tractor, off-the-road and aero tyres and new records were again created in our production and sales of cycle tyres and rims. The use of the bicycle has grown so rapidly that we have not so far been able to keep our cycle tyre capacity abreast of the demand although it is hoped to remedy this before long. Stock shortages unfortunately existed throughout the year and to ease the situation Government have now adopted our suggestion of permitting tyres to be imported.

Substantial increases were also achieved in sales of other products, for which increased manufacturing capacity is also required if the needs of our customers are to be met. Great strides were made in Dunlopillo Latex Foam Cushioning, which is now firmly established as the most economical and hygienic material for cinemas, hospitals, hotels and transport services. It is also being used increasingly for domestic purposes and by car manufacturers.

Our rubber-ply transmission belting sold well throughout the year and we have had difficulty in maintaining dealers' stocks at an adequate level. Many important contracts for Conveyor belts which are supplied only against firm orders have been fulfilled from our Sahaganj factory. It is gratifying to know that our industrial vee belts and fan belts are proving so popular as is borne out by an increase in sales of over 60 per cent compared with the previous year. The excellent quality of our braided hoses has justified our decision to increase our range of sizes so that we can meet consumer needs more fully.

During 1955 we further expanded our activities to cover the highly specialised field of anti-corrosive and

abrasive linings. This service is available to a wide range of industries and not only do we undertake the application of linings to vessels and pipes at our factory, but at customers' premises as well.

RAW MATERIALS

The raw material supply position was satisfactory throughout the year except in the case of crude rubber. Against the total consumption of rubber by manufacturers in 1955 of 27,543 tons, India produced only 22,481 tons which means that there was a deficit of over 5,000 tons. In such circumstances it is the larger manufacturers who are forced to import a portion of their requirements, especially when the world market price is higher than the controlled Indian price. We in fact imported 2,368 tons of rubber in 1955, but we experienced considerable difficulty in obtaining import licences from Government and our stocks at times fell dangerously low.

The controlled price for local rubber was increased from Rs. 138 to Rs. 150 per 100 lbs. in February 1955 and again to Rs. 155-12 in September. The prices paid by us for imported rubber ranged from Rs. 144 to Rs. 207. There were no significant price changes in other raw materials.

PROFIT AND LOSS ACCOUNT

The net profit for the year was Rs. 96,72,154 and after deducting the provisions for taxation and retirement gratuities the balance of profit available for disposal is Rs. 61,28,686 compared with Rs. 69,45,891 for 1954. The Directors propose the same rate of ordinary dividend as for 1954, that is 15 per cent, which will absorb Rs. 24 lakhs. The Directors also recommend the transfer of Rs. 22 lakhs to General Reserve as against Rs. 30 lakhs last year. This will increase General Reserve to Rs. 1 crore 90 lakhs as shown in the Balance Sheet. The total amount transferred to Reserves during the last 11 years was Rs. 2 crores 67½ lakhs, representing earnings retained and fully employed in the business.

BALANCE SHEET

The additions to Fixed Assets during the year amounted to Rs. 33,70,000 consisting mostly of plant for expansion and modernisation. The amount of depreciation written off in 1955 was Rs. 27,51,000 as against Rs. 30,20,000 in 1954. Schedule VI of the

Indian Companies Act, 1956 lays down that any future amount written off for depreciation in excess of the amount reasonably necessary shall be treated as a reserve and not as a provision. In view of this the Directors have considered it desirable to transfer to Special Depreciation Reserve an amount of Rs. 1,13,86,000 representing depreciation on Buildings and Plant provided in the post-war years at higher than normal rates.

Stock inventories at Rs. 3,91,63,000 are Rs. 4,18,000 lower than at the close of the previous year in spite of expansion in the volume of production and sales. This was due mainly to abnormally low stocks of raw rubber and some categories of finished goods. Bank and Current Balances are also lower by Rs. 6,90,000 but Sundry Debtors are up by Rs. 16,74,000 as a result of the higher sales turnover, giving an increase of Rs. 7,16,000 in total Current Assets. Net Working Capital is, however, approximately Rs. 6 lakhs lower than at the end of 1954 and the closing bank overdraft is reduced by Rs. 17,49,000.

EMPLOYEE RELATIONS

During the past year no effort has been spared in maintaining our high reputation for working conditions and general labour relations, which, I am happy to say, remain consistently good. Further extensions and improvements have been made to our housing and social amenities for the benefit of our factory staff and operatives. The construction of new quarters for 30 of our Watch and Ward personnel was completed and these are now fully occupied. Work on the additional married operatives' quarters which I mentioned last year was unavoidably delayed but we shall shortly commence the building of 65 further houses. During the year electric lighting was installed in 800 single quarters. The addition of a Tennis and Social Club, consisting of a club-house and 3 floodlit tennis courts, has proved extremely popular and successful. A retirement gratuity scheme, which is additional to the provident funds which have been in force for many years, was introduced at the beginning of 1955 and will benefit all long-service staff and operatives.

Once again all our employees, at head office, factory and in the field, have shown initiative and devotion to duty and played their part in the achievement of the year's results. I know you will wish to join with the Directors in sending them a message of thanks and appreciation of their continued efforts.

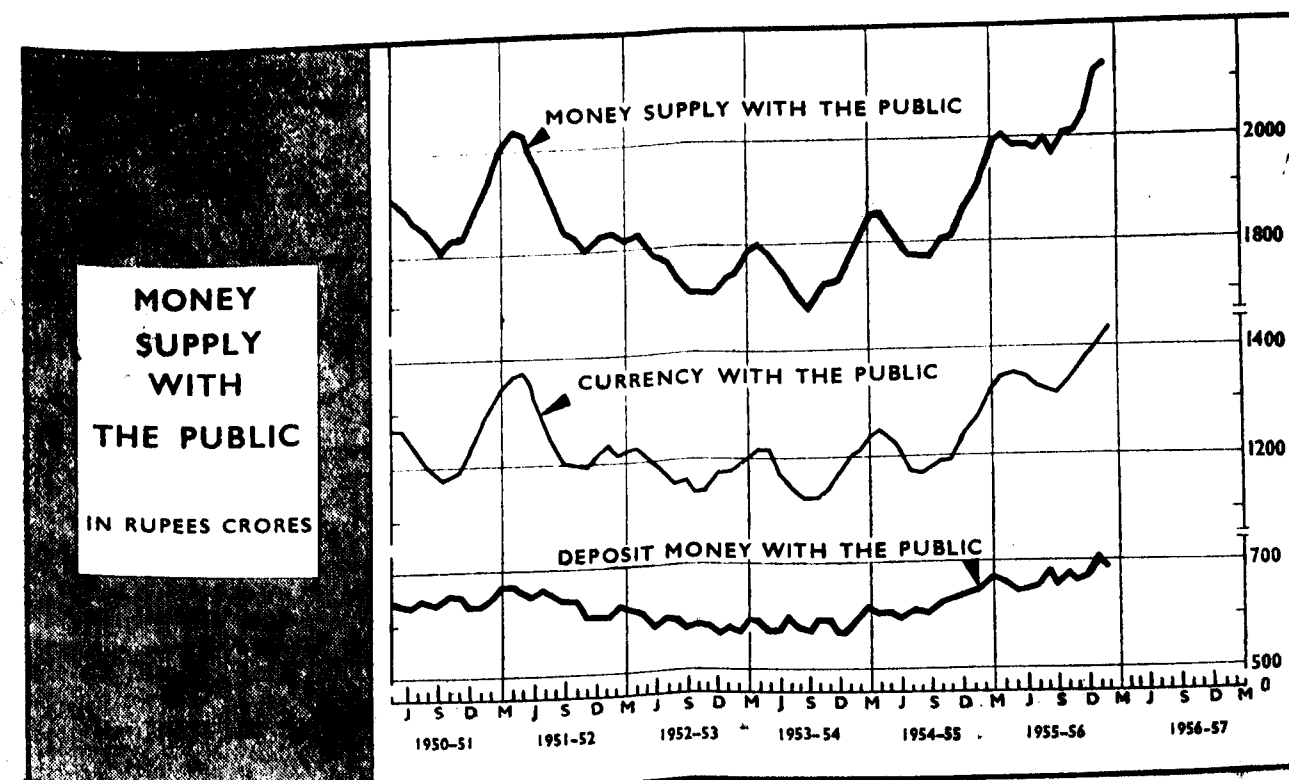
MONEY SUPPLY IN INDIA

(Lakhs of rupees.)

Last Friday	Money supply	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Total deposits with Reserve Bank (excluding those of central Govt. & Banks)	
(1)	(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1952-53	..	1,784,55	1,199,25	585,30	36,35	-44,30
1953-54	..	1,856,57	1,229,43	627,14	77,30	+72,02
1954-55	..	1,980,90	1,311,77	669,13	69,97	+124,33
January 1955	..	1,877,73	1,245,91	631,82	30,78	+28,84
February	..	1,915,34	1,272,35	643,00	32,96	+37,61
March	..	1,980,90	1,311,77	669,13	69,97	+65,56
April	..	2,003,14	1,342,90	660,23	45,98	+22,24
May	..	1,989,50	1,348,41	641,09	24,12	-13,64
June	..	1,988,42	1,343,74	644,67	21,24	-108
July	..	1,974,91	1,324,80	650,11	30,58	-13,51
August	..	1,995,61	1,314,74	680,88	48,02	+20,70
September	..	1,965,40	1,309,69	654,71	23,35	-30,21
October	..	2,008,47	1,331,40	677,08	41,35	+43,07
November	..	2,014,88	1,351,24	663,64	23,24	+6,41
December	..	2,059,37*	1,387,54*	671,83*	21,77	+44,49*
January 1956	..	2,113,47*	1,407,83*	707,65*	30,90	+54,10*
February	..	2,125,39*	1,435,67*	689,72*	27,43	+11,92*

* Provisional.

Source: Monthly Bulletin of Reserve Bank.



KLM
ROYAL DUTCH
AIRLINES

Say when,
Say where—
KLM
will fly
it there!

Let your **CARGO** reach the world markets first and fast.

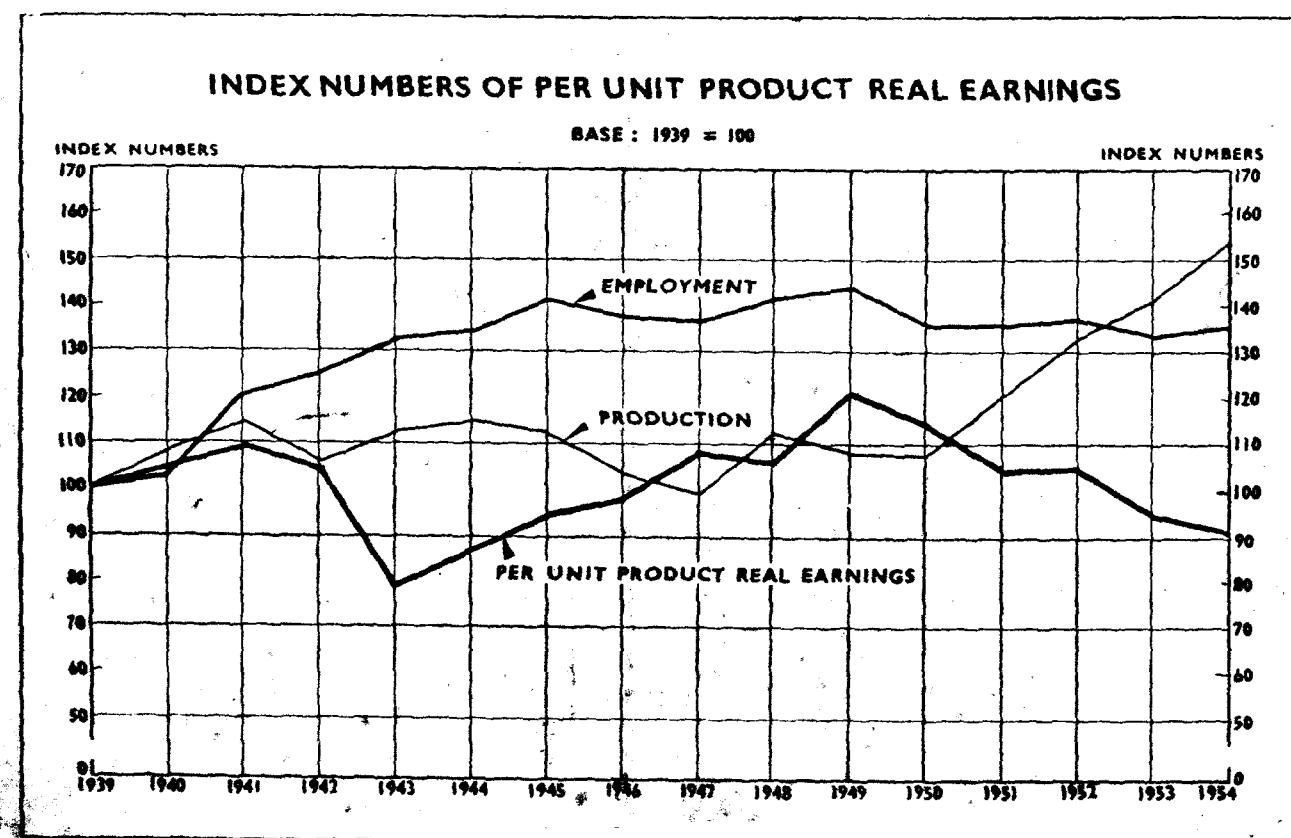
KLM has direct, time-saving flights to EUROPE from CALCUTTA and NEW DELHI offering frequent connections to major cities in EUROPE, USA, CANADA, THE CARIBBEAN, SOUTH AMERICA, and THE FAR EAST.

Contact your **CARGO AGENT** or KLM offices at Calcutta, New Delhi, Bombay, Madras.

INDICES OF 'PER UNIT PRODUCT EARNINGS'
and 'Per Unit Product Real Earnings' in Indian Industry
(1939=100)

Year	Index of Earnings (A)	Index of Real Earnings* (A)	Index of Employment (B)	Index of Production (C)	Index of Per Unit Product Earnings $\left(\frac{A \times B}{C}\right)$	Index of Per Unit Product Real Earnings $\left(\frac{A \times B}{C}\right)$
1939	100.0	100.0	100.0	100.0	100.0	100.0
1940	105.3	108.6	103.7	108.1	101.0	104.1
1941	111.0	103.7	120.6	114.3	117.1	109.4
1942	129.1	89.0	125.3	106.9	151.3	104.3
1943	179.6	67.0	132.8	112.2	212.5	79.3
1944	202.1	75.1	134.1	115.7	234.2	87.0
1945	201.5	74.9	141.5	112.5	253.4	94.2
1946	208.6	73.2	137.8	102.9	279.3	98.0
1947	253.2	78.4	136.6	99.1	349.0	108.0
1948	304.0	84.4	141.4	112.3	382.0	106.2
1949	340.3	91.7	143.3	108.4	449.8	121.2
1950	334.2	90.1	136.0	107.2	423.9	114.3
1951	356.8	92.2	135.7	120.4	402.1	103.9
1952	385.7	101.8	136.7	133.2	395.3	104.4
1953	384.6	99.9	133.1	140.8	363.5	94.4
1954	381.2	102.7	135.9	153.6	337.2	90.8

*Deflated by All India Consumer Price Index.



Printed and Published by Devi Prasad Sharma at the Hindustan Times Press,
for "The Eastern Economist" Ltd., 52, Queensway, New Delhi. Editor—E. P. W. da Costa, M.A. (Oxon.)

The Eastern Economist

VOL. XXVI. NO. 18.

NEW DELHI: MAY 4, 1956.

ONE RUPEE

CONTENTS

	Page	Special Articles:	Page
Leading Articles:			
INDUSTRIAL POLICY AND THE PLAN ..	693	STOP THE TRANSPORT MUDDLE ..	709
THE ANGLO-SOVIET COMMUNIQUE ..	695	THE BASIS OF COMPENSATION ..	710
THE RAILWAYS IN THE PLAN ..	696		
		The Business World:	
THE WEEK'S NOTES ..	697	From a Mixed Economy to a Meddling Anomaly ..	713
The Draft Plan; Verdict in Burma; The Reporter's Charter; Select Committee on Insurance Bill; King Mahendra; Surplus Labour in Defence Industries.		Searchlight on Insurance Bill ..	714
		ECONOMIC REPORT FROM THE U.S.:	
		New Ideas in Business Management ..	715
A WINDOW ON THE WORLD:		BUSINESS NOTES ..	716
Odysseus on "Where the U.S.S.R. and the U.S.A. Agree" ..	701	Gambling and the Law; Revised Policy for Cement; Export Credit Guarantee; World Meet to Lay the Surplus Ghost; NEPA Mills; Resolution on Bank Nationalisation.	
FRANCE'S LEGACY IN MOROCCO ..	703	COMPANY AFFAIRS ..	721
A LETTER TO THE EDITOR ..	704	COMMODITY NEWS AND NOTES ..	722
WORLDGRAM AND NEWS IN BRIEF ..	705	CURRENT STATISTICS ..	723

Industrial Policy and the Plan

THE Industrial Policy Resolution read out by the Prime Minister in the Lok Sabha on Monday this week has been in the process of gestation for a matter of nearly six months. In this process alarms and excursions were naturally abundant in Delhi, and even more prominently, in Bombay and Calcutta. These alarms and excursions have done little to promote constructive thought, for there is nothing in the resolution introduced last Monday to suggest that a determined effort is now being made to overcome the obstacles which hinder Indian industrialisation. Bombay and Calcutta, it is true, have heaved a large sigh of

relief, because, as has now become usual, the business community tends to raise its own jitters apart from those which emerge suo moto from the Central Secretariat. There is nothing in the present Industrial Policy Resolution which can cause either alarm or enthusiasm; it is a predominantly neutral document. It is merely a category of industries in three classes. If categorisation could hasten the process of industrialisation, the first Industrial Policy Statement of April 1943 should have helped considerably towards that end. The first Industrial Policy Statement cleared some doubts, but jumped no

hurdles; for there is no magic in schedules or categories. The second Industrial Policy Resolution can do no better; it chose the same ineffective talisman.

It is in terms of deeds, and not of a nice balance between the Right and the Left, that the Industrial Policy Resolution of the 30th April must be scrutinised. To do it justice, it is a splendid piece of ideological tight-rope walking. The fact that the Prime Minister has himself drafted many paragraphs of this resolution also gives it the high virtue of reflecting the ultimate source of political power in the Indian Union. That source of political power, contrary to general belief, is not socialistic in any extremist sense. If this represents the socialistic pattern of Jawaharlal Nehru, one can at least congratulate India on her powerfully realistic conception of what Socialism can be made to be in Indian conditions. There is nothing which should terrify private enterprise in this Socialism. On the other hand, there is nothing in this mixture which enables the public sector to do any job for which it was not otherwise qualified.

This, and no other, is the weakness of the new Industrial Policy Statement. It seems to believe clarification is a good substitute for incentive and action. In Schedule A—a formidable list of 17 industries reserved for the public sector—it places the responsibility fairly and squarely on the Government of India. If the placing of responsibility on an agency were equivalent to the discharge of that responsibility in a specified time all would be well. But at the present time the Government of India has taken on its shoulders a responsibility which everyone knows it cannot discharge. It has barred in these industries all new private enterprise except when it suits the Government of India to draw it in. But a moment's inspection will show that it is extremely difficult, if not impossible, for the Government of India to find new initiative or resources merely by extending the list and area of its Schedule A industries.

It is a source of some irony that, at the very moment that the Government of India was planning to expand its activities in this grandiose manner, Mr. K. C. Neogy's note on the excessively ambitious character of the second Five-Year Plan, and of the large obligations which the public sector is unable to discharge in it—should have been placed before the National Development Council. The National Development Council has dutifully endorsed the size of the Plan indicating that, whatever its sympathies with Mr. Neogy's presentation, this is not a politic moment to suggest that the public sector has overreached itself. But anyone who can read between the lines of the Prime Minister's speech—and the adoption of a higher target for food grains in order to combat the inflationary pressures to which Mr. Neogy refers—must admit in fact that Mr. Neogy has won his case. It has been agreed that the investment of the order of Rs. 4,800 crores in the public sector cannot be attained without inflation unless the Plan is substantially modified on the agricultural output side.

The conclusion to be drawn from this week's happenings is confused; but at least it is becoming more evident now that facts, not aspirations, will win. Thus, it is being recognised the position on transport will be critical until at least 5,000 locomotives and 50,000 wagons are added to existing Railway targets. Two articles in this issue,

one a Leading Article and another a Special Article, forcefully argue this case which has been drawn into prominence this week by a misguided note by Prof. J. K. Galbraith, whose great reputation in the economic world has unfortunately suffered an eclipse because of his unwillingness to look closely enough into the facts of the Indian transport situation. The issue at the moment, however, is not transport but industrialisation.

The argument is constantly advanced in India that since the private sector has not the resources—a fact which cannot be denied—the public sector must go into industrialisation in a much bigger way. From this perfectly legitimate conclusion the jump is easy to the perfectly absurd proposition that any extension of the public sector is legitimate, presumably on the assumption that the public sector can always find the resources. If Mr. Neogy is substantially right—and who can deny it?—there are financial limits on the public sector almost as rigid as those on the private sector. The public sector's financial capacity may be, let us say, eight times that of the private sector. But it is not unlimited, and all its resources are already committed; where can new resources be found for the additional industries which the public sector has taken under its exclusive wing and for which no adequate provision has been made in the second Plan? Does the Industrial Policy Resolution mean that while the private sector is excluded in Schedule A industries, the public sector will be able to produce only at the levels of investment already approved in the Plan? If so, Schedule A adds not an iota to new public sector industrialisation.

This is the central point of those who argue that the mere inclusion of additional industries in the public sector will not hasten the pace of industrialisation. There was a time when the private sector had many of the sources which the public sector now claims as its own. Successful industrialisation did not proceed automatically in the wake of these sources of finance. This was because there were many other problems in addition to finance to solve before a successful industrial venture can be established and expanded. Today the public sector monopolises the main sources of finance. But it is in no happier position than was the private sector fifteen years ago. The same obstacles to industrialisation remain and, indeed, in some respects they are more obstinate, for the character of modern taxation and the highly competitive demands of accelerated development make both incentive and supply of management far more difficult than it was fifteen years ago.

Because the problems of industrialisation are not primarily financial problems and because they cannot be settled by a philosophical or ideological categorisation of agencies, this Industrial Policy Resolution cannot furnish any new incentive to hasten the process of Indian industrialisation. To the extent that it removes the uncertainties in the private sector it is welcome. But it is important to remember that it is not the private sector which is the main agency for new development; it is the public sector by its own dogma and by its own deed. It is one thing to arrogate responsibilities; it is quite another to discharge them. Will the public sector be equal to its dogmas is the pressing question which arises out of the Industrial Policy Resolution. The country will await the reply; it will not be impatient. Let Time give its answer.

The Anglo-Soviet Communique

THE long Anglo-Soviet Communique issued in London last week at the end of the Russian leaders' visit to Britain gives some proof of the general opinion that Mr. Bulganin and Mr. Khrushchev have not succeeded in scoring a resounding success this time. The verdict on the visit has been distinctly different from that of their Asian tour, particularly in the USA, where there has been much satisfaction. It would be wrong to say that the Russian leaders expected much more than what they secured; the preliminary Malenkov mission was intended mainly to smooth over some of the difficulties expected during their visit. The announcement of the dissolution of the Cominform, on the eve of their arrival in London, seemed a further special gesture to dis-trustful British opinion. It is possible that the Soviet leaders expected difficulties in dealing with a Right Wing Government; but they have actually found the Conservative leaders more congenial for purposes of negotiation than Labour leaders.

For many reasons, the Soviet leaders and particularly Mr. Khrushchev have had a chastening experience in Britain. The final Communique is significant as much for the matters it mentions as for those it does not. There has been no reference to the question of China's recognition in the United Nations or to other major Asian questions. The Five Principles, which the Soviet Union has accepted and reiterated in relation to a number of other countries have not been invoked in the Communique; there is only a mention of the principles of United Nations Charter to govern relations of the two signatories with each other and with other countries. These are perhaps in the nature of commonplaces, having no special significance. The reference to establishment of peace in Europe is in fact an admission of the lack of any basis for negotiation on the problem of German unification.

The two specific problems on which the Soviet leaders' visit may be said to have marked an advance are those of the Middle East and of the prospects of Anglo-Soviet trade. The Communique may be read as implying a recognition of the Soviet Union as a Middle East Power whom the Western countries can no longer keep out of that area. The Baghdad Pact has split the Arab countries into two groups and Russia has been successful in drawing one to her own side by allowing shipments of arms. The Soviet Union might have sought in London a deal with the West on the basis of stoppage of the Communist arms shipment to Egypt in return for the abandonment of Baghdad military alliance. At this stage, however, no such open abandonment of the military alliance would be possible in order to satisfy the Soviet Union. The understanding reached with Britain implies, however, Russia's support to all moves taken in the United Nations for the restoration of peace in the Middle East and for the reduction of tension in the area of the demarcation line between Israel and Arab States. The importance of Russian agreement on the problems of this area has thereby been emphasised. It is not known whether there has been a tacit understanding on the question of supply

of arms but if professions of peace are sincere, it must in due course lead to a limit of supplies to the Arab States in accordance with some formula which would preserve a balance. A reference in the Communique to the independence of the peoples of the Middle East and to their national aspirations is probably a veiled admission of their right to purchase arms from the Communist countries when they wanted; and so long as that right is recognised Russian interest in the Middle East cannot be prejudiced.

The other major question that has received greater prominence both in Britain and abroad is the possibility of expansion of Anglo-Soviet trade. In drawing up an optimistic picture of the scope for trade expansion, Mr. Khrushchev touched on the most susceptible spot of British policy in order to make it appear that difficulties arose mainly because of the strategic controls on trade with Communist countries.

Nevertheless, it has been a spectacular offer of trade on a large scale, to the extent of over £800 million in five years, which no British Government can afford to ignore, in spite of important snags. Mere expressions of the desire to expand trade on this scale cannot make headway without the offer of practical evidence to show that the Soviet Union would be able to make the large readjustments in the trading pattern within the Communist bloc, as well as in the principles of bilateralism and balanced trade adopted in relation to countries outside the Communist fold. These possibilities have been left over for detailed study by officials on both sides. The Soviet Union will have to show that she can earn adequate foreign exchange in terms of sterling for the purchase of goods from Britain which are outside the list of strategic goods now banned. It is possible that the Russians will be driven more and more to adopt multilateral transactions in order to get supplies of the materials they need from Western Europe and sales of Russian machinery and manufactured goods in some of the underdeveloped countries may provide the sterling resources with which to buy British machinery or raw materials from the sterling area. In any case, the Russian offer on trade has been conceived boldly to gain a diplomatic initiative in dealing with the suspicious British whom it has impressed considerably, despite the failure of the more modest Kabanov offer three years ago to materialise in larger trade.

The Russian leaders' visit to Britain has thus proved worth while to both sides. It has made the Soviet Union realise that it is not possible to drive a wedge in the Western alliance; and Mr. Khrushchev took special pains to disclaim any such intention. As a potential bridge to an understanding with the United States, later if not sooner, some progress, perhaps, has been made in the London talks though it would be unwise to exaggerate it at this stage. It is possible that something more tangible may be attempted when Sir Anthony Eden visits Moscow in return.

The Railways in the Plan

BITS of two confidential documents have this week escaped unauthorisedly into the light of day. The central point in both happens, fortunately, to be a central point in the second Plan, namely, the allocation for railway transport. Some of the difficulties of the current transport situation in India are complex and so complex that so eminent an economist as Prof. John Kenneth Galbraith has failed utterly to appreciate the politico-socio-economic factors which surround railway planning in this country. To talk, for example, about making travelling inconvenient for passengers is to ignore nearly fifty years of political agitation on the terms of travel of India's third class passengers who alone can alter significantly the transport pressure in the second Plan period. One might talk equally easily of multiplying salt taxes. If Mr. Galbraith had recognised how impossible it is to restrain additional amenities for third class passengers, he might have spared himself what is politically a serious misdemeanour by the suggestion that the pitiful passenger travel that exists at the moment should be further cut back.

It is a condition of Indian democracy that the Indian people should know their country. The Discovery of India has been preached not merely by the Prime Minister in the spacious prose of a famous book; it is very much the content of the pattern of the political democracy introduced by the Constitution of the 26th January, 1950. Everyone in India who values India's plans values them for things such as these—the opportunities it will give for low income groups to see the Himalayas, to see great places of historical interest all over the country, to have a sense of personal participation in the adventure of India. If this is shut off for no better purpose than that a few train journeys could be saved and some additional capacity made available for goods traffic, enthusiasm for production will certainly be reduced. This is in effect a kind of forced saving, which is contrary to any liberal form of planning. It is right that it should be firmly resisted.

Against Mr. Galbraith's suggestions of cuts here and there, there is to be set the positive statement of Mr. K. C. Neogy that existing allocations for transport are not adequate to deal with other targets in the Plan; it is not a preference for transport as such. It is merely a plea for consistency in targets. In a Special Article in this issue there will be found some details of the volume of transport which is believed to be an inescapable necessity. The highlights of these needs are 5,000 additional locomotives and about 50,000 wagons beyond the Plan's targets. The most important point about this demand is that it should be made available not at some time but that it should be treated as immediate. Since deliveries are in most cases of 18 months' durations, actual imports are not likely to take place before the end of 1957.

There cannot be an iota of doubt that investment on railway development in the second Five-Year Plan has been conceived on a parsimonious scale. The fact that the National Development Council has endorsed the size of the railway plan as adumbrated in the Draft Outline does not alter in the least the basic fact that the conservative allocation of resources for the railways threatens to jeopardise most of the plans of industrial production, particularly in the private sector. For it

should be crystal clear that where a question of rationing of scarce rail transport capacity between diverse competing claims arises, state projects will be allotted priority in transport allocations and the private sector will be left, by and large, to fend for itself. Even within the orbit of the public sector it would be an error to suppose that the requirements of basic production programmes will be met in a full measure. The latest case in point is that of cement where the imperative need to raise the accepted target of production by another six million tons needs a substantial addition to transport capacity. Transport threatens to stultify this high priority programme of further expansion. Instances of this kind have cropped up in the course of discussions for revisions of development programmes in several other sectors.

Mr. K. C. Neogy has had the courage of conviction to speak out in a forthright manner the serious implications of the danger that lurks behind the attitude which shrieks coming to grips with the problem of fundamental priority for resources for transport development. His outspoken note circulated to the National Development Council raises the crucial issue of the failure to maintain a reasonable co-relation between expansion of transport capacity and expansion of other production programmes. It is idle to attempt to think aloud in planning on a bold and imaginative scale without recognizing the elementary fact that adequate transport capacity must first be provided for before large outlays in development projects can be risked. Mr. Neogy has uttered a grave warning in good time in regard to the consequences which must follow any failure to underestimate the magnitude of the requirements of transport capacity.

The tendency amongst experts has been to emphasise the possibilities of getting a better utilization of existing capacity through improved methods of haulage. It is true that there are possibilities of paying attention to such better utilisation. It does not, however, mean that proposals for doubling of track or for electrification or for new lines are redundant at this stage and that all the investment contemplated in these directions can be arbitrarily transferred to other sectors like heavy industries. The second Five-Year Plan is still in a preliminary stage of development in which the value of investment and social overheads cannot be exaggerated. Dieselisation cannot be the complete answer or a substitute for electrification in view of the better position of this country in regard to thermal and hydel power. The opening up of the underdeveloped areas in order to provide balanced economic development cannot be achieved by mere improvement of operational efficiency on the existing track. Nor can it be said that penal rates on short haulage would somehow automatically create the alternative means to carry short distance traffic. The danger of hampering movement of raw materials and finished goods by recourse to such policies is great. The American Technical Mission, which is expected to investigate the problem thoroughly, may be in a position to indicate the improvements that can be made with moderate outlays. That would not, however, be a substitute for a plan for railway development which ought to take adequate account of an expanding economy. The tendency to secure the approval of experts for short-sighted economy must cease if the plan has to be saved.

THE WEEK'S NOTES

THE DRAFT PLAN

WITH THE completion of discussions by the National Development Council this week, the stage is set for the presentation of the Draft Plan to Parliament before it concludes the Budget Session. The interval between the publication of the Draft Outline last February and the Draft Plan will not, therefore, be long but it has to be remembered that changes will not be substantial; most of them had been effected in the long interval of discussions between the Plan-Frame, presented exactly a year ago, and the Draft Memorandum last December. It is unlikely that the main features of resources and targets of the Plan would undergo revision, even though some misgivings have been expressed recently at high levels about the availability of monetary and material resources on the scale envisaged. It is inevitable that the Plan should depend for its fulfilment on external assistance of about Rs. 800 crores and deficit financing of the order of Rs. 1200 crores; and the question is how the Government's policies will be shaped to make these feasible. The increase in production needed to offset the effects of inflationary financing can be achieved only by allowing the maximum scope for the private sector and recent trends in policy, which have sought to emphasise the dominance of the public sector, may tend to divert attention from this all-important problem to the spectacular nature of the particular projects undertaken in the public sector to expand the industrial base of the economy.

The World Bank Mission now touring the country may take a more helpful view of aid than before and that in turn can lead to a better appraisal of Indian needs abroad. It is not possible to overlook that the mobilisation of internal resources through taxation, savings and loans will also involve some degree of strain and special effort. There is finally the question of managerial and technical personnel and the provision of transport; the problem of railway transport has loomed large because of the substantial investment required on railways.

All these matters would require many adjustments of detail of targets and of investment and the now familiar explanation is that they may be effected by a system of annual planning. It is possible to doubt whether, in view of the need to place orders abroad and to make other arrangements within for the new projects, it is possible to make the annual adjustments anything more than a task of phasing out the outlay in a convenient manner. In any case, this deliberate provision of scope for adjustments may detract somewhat from the Plan as a complete and final picture of development, even if it is conceded that the virtues of elasticity will far outweigh the impression of the somewhat tentative nature of planning.

VERDICT IN BURMA

THE RESULTS so far announced of the general elections in Burma have shown a clear lead for the AFPFL, which is likely to be maintained in the final picture. There have been about 36 unopposed returns for the 250-member Burmese chambers, which give indications of the AFPFL's popularity; the victory of all the nine candidates of the party in Rangoon district, where the Government's contacts are the closest, is another evidence of popular support, the significance of which should not be under-estimated. In the rest of Burma, rebel activity has been stepped up during the elections and voters in many areas have been intimidated and prevented from exercising their franchise.

To what extent this will affect the polling or the results remains to be seen; the threats to law and order only show the extremely difficult conditions in which the Government has chosen to test the opinion of the electorate. Prime Minister U Nu's popularity thus seems unshaken despite the hard conditions in which his Government has been carried on.

The glaring contrast with the fate of the former Government party in Ceylon in the recent general elections suggests itself and further reinforces the general belief that the trend of public opinion in Asia is to support the Governments which adopt an independent and neutral foreign policy and reinforce nationalistic pride by avoiding commitments to Western policies of military alliances. In other words, the Burmese elections now present the obverse of the verdict in Ceylon and point the moral that free and independent Governments like those of Burma promise better conditions for the successful working of democratic Governments than those merely propped up by external aid, but lacking inner strength based on the enthusiastic support of the people. The statesmanship of Prime Minister U Nu has contributed much to prove this point and his complete victory would place it beyond question.

THE REPORTER'S CHARTER

A PRIVATE MEMBER'S Bill has at last the chance of providing an important right to the press in India. The Select Committee's report on Mr. Feroze Gandhi's Bill seeking to protect the publication of reports of proceedings of Parliament and State Legislatures generally supports the right that was sought to be written into our statute book by the sponsor. In principle, all the members of the Committee are agreed that the proceedings of legislatures when reported in the press should be protected for purposes of action for defamation or libel. Hitherto, there was no positive safeguard to the publishers. While members of the legislatures were free to express their views on all matters of public interest, subject only to the regulation of the proceedings by the Chair, the reporter was often in a dilemma, during the brief time at his disposal before rushing to the press, in deciding whether any objectionable portions of a speech in Parliament should be published or not. In all such cases newspapers have worked only on the motto "Publish and be damned"; but this has been a procedure full of risks to the profession and consequently inadequate and over-cautious reporting failed to give a correct picture. Obviously what is of sufficient public interest inside Parliament is of interest to the world outside except where the legislature discusses 'in camera' on special matters. The consequence of the present anomalous situation has been that any daring publisher who was ready to face action got away with credit for true reporting.

There has been very little of opposition to the present move; even the dissenting minutes have been appended only for arguing the case for extending the benefit of the protection to the reports of the proceedings of State Legislatures also. The majority view is that Parliament should only regulate the publication of its own proceedings. There seems to be no reason to take such a restricted view of the matter because the authority of Parliament cannot be disputed and it is obviously undesirable to have two sets of principles on this matter. There is still room for making the change in the final stages of the Bill; the majority of the State Governments have approved the principle underlying the Bill.

SELECT COMMITTEE ON INSURANCE BILL

THE SELECT COMMITTEE'S REPORT on the Life Insurance Corporation Bill seems to underline the criticism that insurance nationalisation was a hasty step which did not take into account many aspects of insurance business. Eight minutes of dissent have been appended by members of different shades of thought. The Committee has inserted a new clause in the Bill to enable a company registered in India to carry on life insurance business in respect of persons residing outside India. This is one method by which the existing foreign business of the life insurance companies taken over can be managed by the same companies or by one of them specially constituted for the purpose. The original clause in the Bill was vague and perfunctory and the Committee's redraft must be regarded as an improvement to the extent to which it enables continuity of foreign business.

The formation of an investment Committee to advise the Life Insurance Corporation in the investment of its funds must also be regarded as an improvement though the functioning of such a body must necessarily depend on the instructions and rules issued by Government. The special provision for provident funds is on more doubtful ground; if the Corporation takes over all the existing obligations, there may be no reason why it should not take over all the assets too. The absorption of chief agents would afford protection to this class of employees which was threatened by the Finance Minister's reference to abolish 'sinecures'.

The Select Committee has, however, allowed its prejudices to get the better of its sense of expediency and fairness by enlarging the period, transactions during which were liable to be reopened after taking over. The original Bill provided that only transactions of the last two years before nationalisation could be reopened but by extending it to five years, a good deal of uncertainty would be created in respect of concluded transactions, and the fact that some of them were malafide would not justify the unsettlement of the rights of existing title-holders.

The dissenting minutes have drawn attention to the anomaly of excluding the audit of the Life Insurance Corporation from the purview of the Auditor-General of India. It is reported that the latter had to assert his claim to jurisdiction over audit through a special note circulated to the Committee, which has been supported by the dissenting members. The fact that no provision for such audit was made in the State Bank of India Act cannot be regarded as a precedent in this matter. On the other hand, it is more relevant to note that in the case of the Industrial Finance Corporation a special provision had to be inserted later to provide for the Auditor-General's audit. The proposed Corporation is not in fact an independent body because it would work on the instructions of Government and only the special Constitutional position of the Auditor-General should provide a guarantee against abuse of executive authority.

KING MAHENDRA

THE CORONATION of King Mahendra of Nepal this week has provided occasion for scenes of enthusiasm amongst the people of that country which, one must hope, would provide in abundant measure loyalty and

good will towards the young king. During the five years since the abolition of Rana rule there has been no political stability in Nepal on the basis of the working of a popular ministry. Royalty has thus become both a focus of allegiance and an instrument of stability in the midst of the factions and quarrels of politicians. These difficulties have enhanced the role of King Mahendra, who by his own personality has fully earned the confidence of his people. His coronation is also of special significance as the first for over a century in which the king to be crowned will not be a puppet in the hands of a hereditary Prime Ministership. Though his late father, King Tribhuvan, was mainly instrumental in overthrowing the Rana oligarchy and in preparing the ground for the introduction of a democratic government in Nepal, the responsibility for the actual fulfilment of democracy rests on the shoulders of young King Mahendra.

Even during the little time at his disposal since his father's death, King Mahendra has done much to tone up the administration. The latest achievement of Nepal in the international field is her admission to the United Nations as a full-fledged member. If with tact and perseverance the king could manage to keep the warring elements in peace and make a bid for the support of the people he can look forward to a long and fruitful reign.

SURPLUS LABOUR IN DEFENCE INDUSTRIES

DR. KATJU'S statement in the Lok Sabha on the volume of surplus labour in ordnance factories presents the problem in a much worse light than it has been seen hitherto. There has been some improvement in the volume of civil work executed by the ordnance factories. The value of this output is reported to have increased from Rs. 54 lakhs in 1954 to Rs. 3.5 crores in 1955 but this is regarded as almost the limit of the capacity of the ordnance factories in diverting production to meet civilian requirements. About 8,000 workers have been absorbed in this civil work, showing a fairly high degree of labour intensity. But the gross value of the output per person employed would be only one-half of that in the engineering industry, proving that this absorption has not occurred entirely on the basis of efficiency and that if costs are further cut, the scope for the outturn of civilian requirements may still improve. Even more disquieting is the statement that the average number of idle workers in ordnance factories even after this absorption has been about 6000 in the last few months and that there are 2500 other surplus men in other defence installations.

The Defence Minister has conceded that it is no longer in the interests of the tax-payer or the State to retain in service this surplus personnel. The problem has not grown overnight and till now it has been possible to minimise it because of the special character of defence expenditure which prevents close scrutiny. No retrenchment was effected in spite of a large and growing surplus merely on the ground that there were possibilities of expanding civilian work; but the limits to such expansion could not have been unknown all along. More vigorous efforts to find employment for the men in the public sector projects could have been made even if the Government did not wish to retrench the surplus workers. Only recently a Liaison Officer has been appointed but this should not be treated as an end in itself. In any case, here is some evidence of how in a sheltered atmosphere the public sector tends to operate and maintain wasteful ways.



How banking helps the FISHING INDUSTRY

THE seas around India's 2,900 miles of coastline are rich in fish. In the South of India, particularly, fishing is an important industry. It supplies food and many valuable by-products, some of which are exported.

In South India alone, the fishing industry employs over 1½ lakhs of people, and its catches are worth about Rs. 3½ crores every year.

Banking has greatly helped the growth of the fishing industry. The facilities and guidance of a good bank, such as the availability of ready funds when needed, and the collection of dues in any part of the country, are an essential part of good organisation in the fishing industry.

We at Palai are proud that so many leading fishing firms, and indeed important firms in every field of business and industry in South India, employ the complete banking service we offer:

Current Accounts — Demand Drafts — Telegraphic Transfers — Investments — Letters of Credit — Bill Collection — Deposits — Loans and Overdrafts — Confidential Credit Reports, etc.

If you have business interests in the South, it will pay you to open an account with us. Our 25 branches are strategically located, 23 in important South Indian business centres and two in Delhi and New Delhi; and we have correspondents in all important Indian cities. We offer a fully comprehensive banking service at each office.

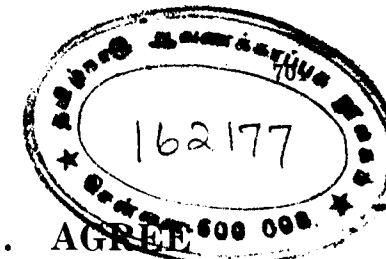
Our clients can make deposits at any of our correspondent banks, situated in all important Indian towns, and have the amounts credited to their accounts at any of our branches.



PALAI CENTRAL BANK LTD.

Head Office: Palai, Travancore-Cochin
Branches at: Madras, Madurai, Cochin,
Quilon, Trivandrum, Mangalore, Bangalore
etc. Also at: Delhi and New Delhi.

A LEADING BANK IN SOUTH INDIA



A Window on the World

WHERE THE U.S.S.R. AND THE U.S.A. AGREE

By

ODYSSEUS

AMONG THE MOST IMPORTANT of recently published books on economics is "The Theory of Economic Growth" by Professor W. Arthur Lewis (Allen & Unwin, 30sh.), which every student of economics in this country should read, not least the distinguished members of the Planning Commission on whose onerous tasks Professor Lewis will shed much light. I urge the Finance Ministry to buy a score of copies for distribution to everyone in key administrative positions. I have quoted extracts from this book last week and they are so relevant to so much of what we see around us that I do not hesitate to repeat their essence this week. They are important because they are not the obiter dicta of some orthodox economist or reactionary Tory, but the reflections of a prominent Socialist who has played a personal part in helping the under dog, and because we live in a society of a Socialist Pattern, it behooves us to keep abreast of what the more percipient exponents of Socialism are thinking.

Professor Lewis says that economic change and growth is particularly important in societies in which political aspirations are running ahead of current economic resources. In countries such as Britain, for example, where the workers demand ever larger wages and greater expenditure on welfare housing, education, and health, income per head must be made to keep rising. Productivity must be made to keep growing. And this, says our Socialist Professor, means unequal incomes, because there will be no growth if differential incomes are not available for hard work, skill, responsibility, and initiative. If the good Professor sounds almost as reactionary and old-fashioned as this column, I hasten to add that he has the most orthodox Socialist support on this point, for the discovery that no significant economic growth was forthcoming if everyone received equal pay was the outstanding contribution to applied Socialist economics made by the USSR in its earliest and most orthodox days.

The British liberal economist, Graham Hutton has pointed out the ironic fact that it is because those ideologically battling giants, the USA and the USSR, agree on the necessity of unequal incomes that their economies are forging ahead. Whereas the workers of the USA and the USSR regard the existence of individuals much richer than themselves as spurs to ambition, the workers of Britain and France remain filled with a grudging envy of anyone better off than themselves. To be rich in the USA and the USSR is the socially acceptable reward of hard work. In Britain and France, the remaining possessors of wealth are lumped together with crooks and shareholders as anti-social beings. (While numerous government posters urge the British to save, the citizen who manages to save a few pounds and invest them in shares is penalised by being taxed at a special rate on the "unearned" income that he receives from his saving!).

WELFARE ECONOMICS IN OXFORD

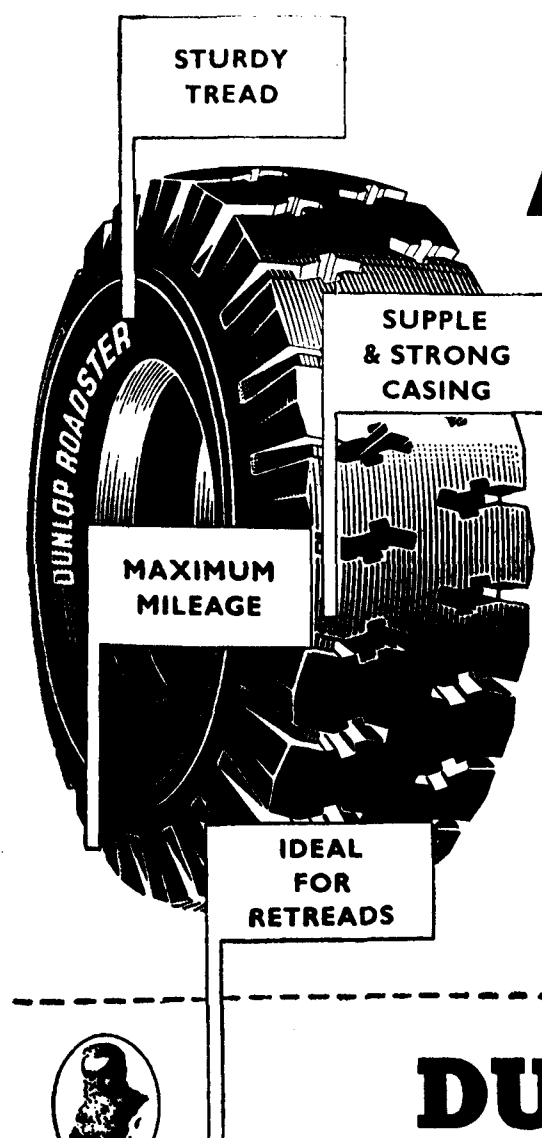
The workers of Britain and France are wedded to restrictive practices which prevent productivity from rising. They want higher wages but will not work longer hours. They want shorter hours but will not

let tools and machines do the job for them. Consider the latest example, one of a multitude: There is a shortage of bus conductors in the ancient city of Oxford. The Oxford bus company wanted to send out buses without conductors and with a collection box into which travellers would be on their honour to put their fares. The company promised that for every new conductor recruited, a collection box would be removed so that no one would be done out of a job. This, please note, was not an attempt to raise productivity but merely to maintain it by keeping the existing number of buses on the streets. But the bus conductors threatened to strike if a single conductorless bus left the garage.

British workers will not, moreover, abstain from current consumption in order, by greater use of new plant and modern machinery, to raise their standard of living over the years. In other words, they insist on re-distributing existing wealth. They resist growth. This, of course, means that the more wages and welfare one section of the community extracts, the less well off is another. In practice, the better off the workers, the less well off the middle classes, who are not organised in unions which can bring key industries to a halt and hold the nation up to ransom. And it is, it cannot be repeated too often, the middle classes in all countries, from India to the Arctic and back, who are responsible for making the whole economic machine function at all.

Where the incomes of all tend to greater and greater equalisation, as in the UK, productivity lags, inflation flourishes, and all get poorer even though their money incomes rise. This is one of the factors contributing to the current British inflation, for if the workers insist on more and more spending power without increasing their productivity, more and more money chases the same number of goods.

What too many Socialist Pattern societies suffer from today is the effort to work in post-World War II conditions with pre-World War I philosophies. We continue to be hypnotised by theories from which we have extracted outworn slogans which have no meaning in today's context. It is not perhaps surprising that it is among the dynamic Soviets that attempts are being made to formulate a new philosophy. While the Soviets set up a new Ministry of Automation and redouble their peoples' forced savings to create productive capital, Soviet engineers and planners are, Graham Hutton tells us, debating the nature of capital, discussing the criteria by which new investment and its productivity can be measured, considering the shifts and stratagems to which Marxist logic is reduced in the effort to square Marx's dogma of capital as "embodied labour" with the patent facts of Soviet daily life: the abstinence forced on Soviet workers, the presence of such disconcerting bourgeois phenomena as discount, depreciation, and an effective (although not a quoted) rate of interest. "The biggest economic dilemma in Russia," says Mr. Hutton in a memorable phrase, "remains the improvement of welfare while overcoming the shortage of capital. The greatest organised unhappiness of the greatest number provides the capital. It is the biggest confusion of ends and means in history."



NEW

TRUCK AND BUS TYRE

the best
tyre
for Indian
roads



DUNLOP ROADSTER

TESTED AND PROVED

ACROSS THE WORLD

DR-671

XL
Xm & PUBLISHED

In the USA, the machine is used as a means. Both Soviets and Americans, however, agree that the future well-being of the masses depends on the growth of capital. Both make the strenuous social effort (differing according to their different social conditions) necessary to secure it. The Soviets use the big stick on the donkey, the Americans put carrots in front of its nose. Both are dynamic societies.

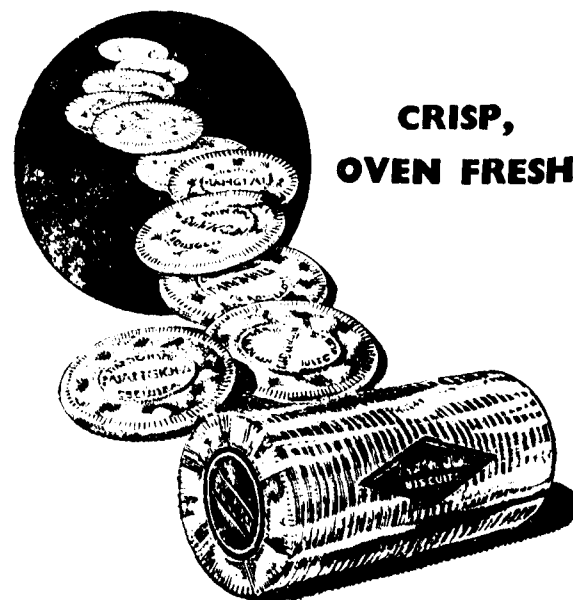
HARRIED, HARASSED, HAG-RIDDEN BRITISH

Turning to Britain, we find that while the biggest social revolution since the Reform Bill of 1832 has been put through—the socialisation within ten years of one-quarter of the national output—production in the socialised industries except electricity generation and aviation lags. The socialised industries have the worst industrial relations, the least sense of public service, and the worst exhibitions of unimaginative, red-taped, bureaucratic administration. These, Mr. Hutton points out, are precisely the complaints now being investigated in the USSR. Yet Britain's socialised industries have been given priority in capital development. Private enterprise which produces the money to pay the taxes which meet the losses of the nationalised industries, and private enterprise which produces all the exports on which Britain depends for survival, comes at the bottom of the list for new capital.

No new ideas for tackling these problems have emerged so far from the leaders of either the Conservative or Socialist parties. On the continent of Europe, welfare France lags painfully behind, devoid of new political or economic ideas, repeating the old slogans, and re-distributing existing wealth, while the Belgians and the West Germans who plumped after World War II for the American way of carrots, rewards and incentives for the donkey, progress by leaps and bounds. Germany's decision to discard Socialism in favour of free markets was greatly influenced by that great economist, the late Walter Eucken, and I take a modest pride in recalling that I was the first in India to draw attention to his little classic "This Unsuccessful Age" (Hodge & Co., London. 1951. 10sh.). The older hands will remember the series under that title published here between January and April, 1952, in which I predicted that Germany's courage in freeing her economy from the bureaucratic strait-jacket would result in prosperity. The mistake I made was not to have foreseen how soon that prosperity would come and how great it would be.

Let me conclude by noting the encouraging fact that there is now beginning to be at least awareness of these problems of productivity and incentive in the UK. Outside the Socialist ranks, Graham Hutton has sounded the tocsin in his "Times" Literary Supplement article of February 24 which has aroused a nation-wide interest. Within the Socialist party, Professor Lewis' realistic views are taken seriously, and Mr. Hugh Gaitskell recently wrote at length in 'Socialist Commentary' on the USSR's success in building a wealthy, if unfree, state, to which he asserted that the democratic answer for Britain must be to consume less and save more. Dare one hope that he will publicly urge the Trades Unions to put forward no more claims for higher wages unaccompanied by proposals for simultaneous higher productivity?

(This is the final article in a series of five, the first of which appeared here on April 6.—Ed).



WRAPPED IN
TRAYOPHANE
MOISTURE-PROOF FILM

Moisture-proof Trayophane has been developed for wrapping all goods which must not be affected by moisture—biscuits, tea, coffee powder, cigarettes, sweets. It is available in rolls and sheets, and can be printed with brilliant designs.

Trayophane is more transparent than glass, shows off your product better.

Trayophane can be heat-sealed—just run a hot iron along the seam.

And Trayophane is cheaper than any other packaging material. Ask for free samples catalogue!

TRAYOPHANE

* The new name for
TRAYONS TRANSPARENT FILM

stops the eye

- starts the sale!



THE TRAVANCORE RAYONS LTD.

Factory: Rayonpuram P. O. Travancore - Cochin
Sales Office: United India Life Buildings, Madras - 1

TR 861

FRANCE'S LEGACY IN MOROCCO

FROM OUR SPECIAL WESTERN EUROPEAN CORRESPONDENT

PARIS.

INDIA'S population problems dominate economic thinking in that country so much that one is surprised to find a country with a population of only 8 millions face with almost identical economic dilemmas. Yet this is the case in Morocco. The answer is of course that it does not matter if the population is 8 million or 380 million; once population gets out of all relation with economic development then similar economic difficulties arise. Morocco has a birth rate of over 40 per 1000, and a death rate of about 20 per 1000—and can thus expect to double her population every 25 or 30 years. Meantime she has a primitive agriculture, practised on tired soil, a negligible rate of capital formation and considerable unemployment. Her main difficulty—the dislocation between population and economic development—is not the fault of France's stewardship, but its credit: the birth rate has remained steady but the death rate has been spectacularly lowered by the modern medical science brought by the metropolitan power. France's achievement in this field has been even more notable than Britain's in India, for in Morocco epidemics have almost disappeared: there is little typhus, typhoid, smallpox, cholera or plague. The endemic diseases, syphilis, trachoma and tuberculosis, have regressed sharply, and modern hygiene practice, especially in obstetrics, is widespread. The result is that cereals has made famine rare. The result is that Morocco's population has doubled, from 4 to 8 million, since the early 1930's. In the demographic field the one reproach that can be made to France is that she has done absolutely nothing to encourage birth control. This is because birth control is illegal in France itself; in theory at least, even Frenchmen can be prosecuted for so much as advocating birth control. Such policy, practised by most Catholic countries, is probably indefensible in France, but in her North African possessions it was grotesquely inappropriate.

Before we look at the other economic problems that the newly independent State of Morocco has to face, it is as well to contrast the situation between the French and Spanish parts of the kingdom. The contrast is brutal. Spain did nothing for Morocco. There are more barracks than schools in the Spanish sector, which was run as a reservoir of troop supplies and a field of military manoeuvres; the very administration was less like a civil service than an army general staff, and was of course headed by a general. Living standards are lower and living costs higher than in the French sector. There is no industry and more unemployment. The first result of the breaking down of the division between the two parts of the country is that overcrowding in the urban agglomerations of the French part is being exacerbated by an influx from the north.

Of the 8 million Moroccans, 1 million are engaged in industry, 1 million in crafts, professions and clerical work, and the remaining 6 million in agriculture. Industry has expanded considerably since the war, principally under French auspices. The purchasing power of the Moroccan industrial worker has doubled since the 1930's and it is this section of the population that generates most of the current demand for cloth, sugar, tea, bicycles and radios. But of this favoured million, almost half are Europeans: of the 420,000 white people in Morocco, only 60,000 live from agriculture.

The vast majority of Muslims work on the land and constitute, economically speaking, an inert, stagnant mass. They provide almost no purchasing power to support local industry, whose progress has, therefore, now slowed down. The standard of living of the Muslim agriculturalists rose noticeably between 1912 and 1935, but since then the increase in their numbers has wiped out these gains and led to a gradual decline. They are grouped in 1,300,000 separate farms most of which have an area of under 4 hectares. (One hectare equals 2.47 acres). It is reckoned in Morocco that a farm of 10 hectares is needed to support a family of five people and its ploughing cattle, so obviously most peasant enterprises are uneconomic. Worse, most of these small holdings are not in one piece; successive inheritances have divided them and scattered them about in patches each of a few hundred square yards. There is no virgin soil, and most of it has been exhausted by continuous cultivation without proper fertilisation, or ravaged by erosion. When land is totally exhausted, instead of being left to recover its resources, it is turned over to the flocks which trample the topsoil to a fine dust which wind and water then wash away.

Ploughing consists in merely scratching the surface with a wooden plough drawn by under-nourished cattle. In the shallow furrows are cast inadequate quantities of degenerate seed, which is then left to the mercy of a capricious climate. Late rains mean disaster. If the crop is successful, the Moroccan *fellah*, like the Indian *ryot*, converts his savings into gold which adorns his wife's arms as coarse bracelets. I could continue this account into greater detail but there is no need to do so for an Indian audience which will already have recognised an all too familiar picture.

It is very easy enough for the agronomical scientists to say what is required in this situation, but of course the main obstacles are psychological. Economic failure has produced a sort of spiritual degradation. Apathy and distrust greet any effort to improve agriculture, and indeed there is such a narrow margin between the peasant and starvation that he regards any sacrifice for supposed future benefits as lunacy. Yet nothing can be done without him or in spite of him, and he will not agree to any experiment that does not produce immediate and tangible benefits. India, which gave Morocco moral support in its demand for independence, will henceforth have the opportunity to share with Moroccans the knowledge she has acquired in dealing with this situation through the Community Development Projects. Here is a field of substantial co-operation between India and North Africa.

As one would expect, this agricultural insufficiency has driven many *feelahs* into the cities. There are parts of the countryside where a peasant family earns only Rs. 390 in a year, a sum that can be earned by an industrial worker in Casablanca in two months. The result is that one-fifth of the total population is now urban, living in the towns of Casablanca, Marrakesh, Fez, Rabat and Meknes. I borrow the following pathetic description of the condition of many of these people from an official publication: "They seek refuge in the cities, full of hope but innocent of qualifications and without money to live on while they wait. They swell the ranks of the unemployed and half-employed whom the factories hire for one or two days a week. Relying on the solidarity of fellow Muslims, they move

into the already overcrowded shanties of vague 'cousins' and tribal relatives, live at their expense and thereby depress the standards of those who have work. They pass their days in idleness or look for insecure jobs, offering their services at below the minimum wage and thus jeopardising the position of more experienced men who have a job. They form a troubled element in the population, open to exploitation by extremist nationalists who invite them to smash a society that rejects them. They wait impatiently for the harvest which, if it is a good one, requires workers and pays good wages. But once that brief period is passed, the country-

side goes to sleep again and pushes them out. They go back to town to an unstable and degrading life, the life of the uprooted to whom the tribe, the family and religion no longer bring balance and moral health."

There is not a line in all the foregoing description of an economy that will be news to an Indian. The only news is that it applies to a country at the other end of the earth, a country that has just become free. There is a solidarity of free men, and a solidarity of misfortune. Poverty is indivisible. "Every man's death diminisheth thee. Never send to know for whom the bell tolls—it tolls for thee".

A Letter to the Editor

DIESEL SETS FOR NURSERY SCHEMES

Sir,

In your "Notes on Oil Products", forming part of the Oil Industry Supplement in your issue dated 27th April, 1956, reference has been made to the role of diesel engines generating power in rural areas which because of their remoteness are not able to be served by power coming from bulk generating stations. In fact, greater emphasis is laid on portable units for building up load until "grid distribution" moves in.

In practice, there is very little generation in the country by "portable units" except in dam sites where electric service has to be provided and which sites are inaccessible to existing systems of supply.

The "Nursery Schemes" are mostly permanent in nature; at least so for a long time to come until they receive supplies from Grid Schemes.

One other aspect which has to be mentioned in this context and to which your "Notes" make no reference is the incidence of fuel oil price on the economy of small-size diesel generating stations. For the present, as many as 208 diesel undertakings operate with plant capacities below 250KW in the country, mostly in small townships. A major portion of these are owned and operated by licensees of small means.

These small undertakings perform a useful service in opening up the countryside and but for them the communities concerned would not be enjoying the benefits of electricity. To such undertakings, the present level of fuel oil price is of great concern in that if economic rates for power in respect of domestic lights and fans and motive power are to be enforced, they would be of the order of at least Re. 1 per unit and As. 6 per unit, respectively. These are rates which are quite impracticable to be applied, and if enforced, will only result in the Law of Diminishing Return setting in.

As an indication of the price trend, it may be stated that the cost of fuel oil, say in February, 1946, was Rs. 87-2 per ton ex ports, and the price for the oil is now of the order of Rs. 247-6 per ton ex ports, including the new impost of Excise duty of 2 annas a gallon.

The latest addition to the fuel oil price has come into being because of the excise duty of Rs. 30 per ton imposed by the Finance Act, 1956. Representations to the Central Government for this duty to be reconsidered have proved to be of no avail. Earlier representations to the Government of India to give special regard to the problem have equally been unsuccessful in that

Government have taken a facile view that it is their constant endeavour "to see that prices of petroleum products are fixed on an equitable basis and that the consumer is not made to pay more than is absolutely necessary." The oil suppliers have taken an equally unresponsive attitude by pleading helplessness on the ground that the oil prices are linked to "Gulf" prices and are regulated by the Government of India.

The object in underlining the price aspect is to bring home to the authorities, no less to the oil suppliers, the crushing effect of the current fuel oil prices on a sector of the Industry rendering pioneer service and to point out the limitations to further progress in electricity generation by diesel engines.

Yours faithfully,
R. P. AIYER,
Secretary,
The Federation of Electricity
Undertakings of India.

BOMBAY,
1st May, 1956.

RECORDS & STATISTICS (QUARTERLY BULLETIN)

Editor: R. V. MURTHY, M.A.

"The Eastern Economist" Bulletin of Records and Statistics surveys economic trends in each quarter in India and abroad with the aid of graphs and all available statistics. One of its special features is the Investment Supplement.

Annual subscription	.. .. .	Rs. 12
For subscribers to "The Eastern Economist"	.. .. .	" 10
Single copy	.. .. .	" 3

Copies can be had from all important Booksellers and Railway bookstalls of Messrs. A.H. Wheeler & Company

For details write to:

THE EASTERN ECONOMIST

NEW DELHI: 52, Queensway.

BOMBAY: Kermani Bldg., Sir P.M. Road, Fort.
CALCUTTA: 28 & 29, Royal Exchange Place Extn.
LONDON: 3, Salisbury Court, Fleet Street.
NEW YORK: 25, Broadway.

WORLDGRAM

AGRICULTURE

International Rice Commission: Recent developments in respect of nutritional problems related to rice and use of rice fields for fish culture will come up for discussion at the fifth session of the International Rice Commission to be held in Calcutta from November 12 to 17, 1956. According to the provisional agenda, the Commission will consider the reports of its Working Groups on rice-breeding, better fertilising practices, soil, water and plant relationships in rice production, mechanisation of rice cultivation and reduction of losses through improved operational methods. It will also have before it the progress report of the Executive Secretary on the Commission since its last session held in Tokyo in October 1954. The Commission is at present composed of 26 member countries, viz., Australia, Burma, Cambodia, Ceylon, Cuba, Dominican Republic, Ecuador, Egypt, France, India, Indonesia, Iran, Italy, Japan, Korea, Laos, Mexico, the Netherlands, Pakistan, Paraguay, the Philippines, Portugal, Thailand, the U.K., the U.S.A. and Viet-Nam.

Developing India's Forest Wealth: It is reported the total expenditure planned for the development of the country's forest wealth under the second Five-Year Plan would be over Rs. 24 crores. The Centre would directly incur an expenditure of nearly Rs. 2½ crores on the forest research, education and demonstration centres for upgrading secondary timbers, besides financing the Forestry Commission. The Centre would subsidise the States to the extent of Rs. 2½ crores in order to enable them to implement schemes not immediately remunerative. The Centre would assist the States with loans to the extent of Rs. 10 crores to implement other forest projects. In addition, the States would themselves find over Rs. 9 crores to complete financial provision for such schemes, as also for schemes which they would undertake entirely on their own.

Rice Production in Manipur: The acreage and production of rice in Manipur is 2.74 lakhs and 39.45 lakh maunds respectively. There is no reliable consumption figure for rice in Manipur and as such no estimate for surplus rice in that State during the year 1954-55 and 1955-56 can be given. However, the surplus is estimated to be of the order of 4 lakh maunds of rice.

INDUSTRY

Water Displacing Composition: A water displacing composition has been developed at the Technical Development Establishment Laboratories, Kanpur. The composition possesses the unique property of simultaneously drying and affording temporary protection against corrosion to metal parts. Its mode of application is simple dipping, spraying or flow-coating and requires no heating or power services. Small quantities of such water displacing composition are at present imported and used in ordnance factories and for other defence requirements.

Mechanisation of the Panna Diamond Mines: Soviet Russia has deputed to India three of its top-ranking mining and engineering experts to help large-scale mechanization and expansion of the diamond mining industry in the country. The Russian Government have also offered to supply all modern equipments needed for the mechanization of the mines and technical know-how. These equipments are expected to cost over Rs. 60 lakhs. The plant, which is expected to go

into full operation by 1956, will handle about 7,000 to 8,000 tons of ore. The Soviet Government have offered to send technicians at their own cost to erect the plant and train Indian personnel to operate them. According to the original estimates of the Geological Survey of India, the Panna area possesses 11 million carats of diamond deposits worth Rs. 165 crores. The potentialities of these mines have been proved and the existence of a regular kimberlite pipe has been established by the working of a pilot plant and extensive geological and other tests. The Russian experts will also survey the Golkonda area in Hyderabad and Andhra States with a view to ensuring fullest exploitation of the diamond deposits of that area.

Plan for Developing UK Coal Industry: The Indian National Coal Board (NCB) proposes to spend nearly £1,000 million during the next 10 years on the reconstruction of the coal industry in the United Kingdom. Required investment will represent something of the order of 4 per cent, or 10d out of every £ invested within the British economy. The revised plan provides for an output of 240,000,000 tons a year in 1965, of which 228,000,000 tons will come from Coal Board mines, 10,000,000 from open-cast workings, and 2,000,000 from private mines. Output last year totalled 221,600,000 tons.

Common Salt for Chemical Industries: The Indian Standards Institution has issued an Indian Standard specification for common salt for chemical industries. The Indian Standards covering edible common salt, common salt for fish curing, and common salt for hide curing, have already been published. This is the fourth standard in the series and prescribes the requirements and the methods of test for common salt for use in chemical industries. It specifies the minimum sodium chloride content of the material and lays down upper limits for moisture, sulphates, calcium and magnesium salts, carbonates, etc.

Standard for Pure Benzene: An Indian standard specification for benzene, pure, nitration grade, has just been published by the Indian Standards Institution. The standard prescribes the requirements and methods of test for the material. The standard which lays down requirements in respect of neutrality, acid wash test, carbon disulphide and thiophen, colour, specific gravity, etc., also provides for the methods of determination of carbon disulphide, thiophen and crystallizing point.

Increased Production of Iron Ore: The total output of iron ore in India increased to 373,998 tons in February, 1956, from 364,288 tons in January, 1956, according to official statistics released by the Chief Inspector of Mines in India. Returns received from 89 mines for the month of February, 1956, show despatches totalling 260,698 tons to the iron and steel plants and 51,405 tons to the export market. The reported stocks as at the end of the month amounted to 1,262,843 tons.

TRADE

UK's Export Achievement: Final figures issued by the Board of Trade show that the UK's export achievement in March was even better than was indicated by the provisional figures published some time back. UK exports in March reached a total of £271,300,000—an increase of £1,700,000 on the provisional figures—and thus exceeded by over £3,500,000 the previous highest

monthly figure recorded in October 1955. Imports in March amounted to £330,200,000. The rise of £21,000,000 between February and March was a good deal less than between the same month of previous years. Re-exports, at £13,300,000, were a little lower than in the two preceding months. In the first quarter (January-March) as a whole, however, re-exports were over one-quarter more than in the same period of 1955. The value of U.K. exports in the first quarter of this year was 4½ per cent higher than in the corresponding period of 1955. Export prices rose by about 5 per cent.

*

Trade and Payments Agreement Between India and Bulgaria: As a result of the recent trade talks between the representatives of the Government of India and the Bulgarian Trade Delegation, a Trade Agreement between the two countries has been signed. The Trade Agreement provides that the trade between the two countries will be governed by the laws and regulations in force in either country. It also provides, among other things, for settlement of accounts between the two countries in rupees. The important items in the list of exports from India to Bulgaria are iron ore, manganese ore, lac including shellac, tea, coffee, tobacco, spices, hides and skins, oil and oil seeds, raw cotton, cotton waste, cotton manufactures, raw wool, wool waste, jute manufactures, sports goods, handicrafts and cottage industry products. Among the chief items available for export from Bulgaria to India are various kinds of machines such as wood working, metal working, forging, pressing, agricultural etc; certain kinds of chemicals, drugs and medicines, electrical instruments, machinery equipment, paints and diesel engines.

*

Textile Export Markets: It is reported that Indian and Japanese cloth exports are flooding overseas markets once dominated by Britain, France and other European nations. Textile output was off more than 10 per cent last year in England. Finance has sharply curtailed her production. Ireland no longer makes rayon cotton damask cloths because Japanese are selling competing items at 20 per cent of the Irish price. World textile exports this year will be below 5 billion square yards, or less than 15 per cent of total production.

FINANCE

Salt Cess: The Government of India announced on June 28, 1955 that small-scale manufacturers, whose individual holdings did not exceed ten acres, and who were organised as members of co-operative societies, even if the total area under salt production with each of such societies exceeded ten acres, would be exempted from the liability to pay the cess leviable under Section 3 of the Salt Cess Act, 1953. It is further announced that small-scale manufacturers, whose individual holdings exceed ten acres but not 100 acres and who are organised as members of co-operative societies, will henceforth, pay cess at the reduced rate of one anna per maund instead of two annas per maund.

*

PEPSU Adopts Central Estate Duty Act: PEPSU has adopted the Central Estate Duty Act of 1953 by passing the necessary resolution and the Act now becomes operative in the State in respect of agricultural lands of persons dying on or after April 10, 1956—the date on which the resolution was passed. Under Article 263(1) of the Constitution, each State has to pass a resolution authorising the Centre to regulate the levy of Estate Duty on agricultural lands in that State. The names of those States which have already passed such

resolutions are included in the First Schedule to the Estate Duty Act.

*

Japan's Foreign Exchange Accounts in Fiscal 1955: According to the Ministry of Finance, foreign exchange accounts for fiscal 1955 ending March, 1956 showed receipts of \$2,839 million and payments of \$2,304 million, or a surplus balance of \$535 million, which marks a sharp increase of \$191 million over the previous fiscal year. This improvement in balance of payments position is explained by the fact that exports, particularly of consumer goods, considerably increased to \$2,095 million propped by good business in the United States and Western Europe, and also that receipts from the procurements unexpectedly rose to \$569 million. With imports staying at \$1,956 million, fiscal 1955 witnessed for the first time since the end of war a favourable balance, if only small in visible trade. Accordingly, the Government's foreign exchange holdings at end of March reached \$1,508 million. Excluding from this frozen credits and deferred payments for imports through usance bills, actual foreign currency holdings come to some \$900 million, which is regarded still inadequate by the Finance authorities.

*

International Finance Corporation: India is the twentieth country to complete the action required for membership of the International Finance Corporation, the proposed new affiliate of the World Bank. This marks the two-thirds stage towards the minimum membership of 30 countries which is required for the new Corporation to begin operations. The prospective capital subscriptions of the first twenty adherents amount to \$61,751,000 of the minimum starting capital of \$75,000,000. The ten other countries which have adhered to the new Corporation since the last announcement was made on January 10 are Bolivia, Ceylon, Dominican Republic, Ethiopia, Guatemala, Haiti, Honduras, Nicaragua, Panama and Peru. Previously announced were: Australia, Canada, Costa Rica, Ecuador, Egypt, Iceland, Mexico, the United Kingdom and the United States.

GENERAL

Wagons for Despatch of Coal: It is reported the estimated number of wagons required for the movement of coal by the end of the second Plan period would be of the order of 6,755 per day as against a daily average supply of 4,045 wagons during 1955. The Government has been discussing with the Ministry of Railways, the ways and means to cope with the increased demand. The stocks of coal that could not be moved due to wagon shortage were 3,019,795 tons in 1952; 3,411,194 tons in 1953; 3,501,388 tons in 1954 and 3,605,870 tons in 1955.

*

Working of the Cochin Port: The working of the Cochin Port in 1954-55 resulted in a surplus of Rs. 10.92 lakhs as against a surplus of Rs. 6.62 lakhs during the previous year. The net increase of Rs. 4.30 lakhs in the surplus over the previous year was made possible by an increase in revenue of Rs. 5.85 lakhs, set off by a small increase in expenditure of Rs. 1.55 lakhs. Gross revenue receipts of the Port Fund amounted to the record figure of Rs. 77.07 lakhs for 1954-55, as compared with Rs. 71.22 lakhs in 1953-54. As in the previous year, a special contribution of Rs. 5 lakhs was made to the Capital Account from the year's revenue, after making the usual contribution of Rs. 2 lakhs to the Revenue Reserve Fund and Rs. 3.97 lakhs to the "Accident" and "Renewals and Replacement" Funds.

NEWS IN BRIEF

FOREIGN

Steel production is expected to be more in 1956 in England than in any of the last eight years. The Iron and Steel Board has estimated the rise at 1½ million tons to 21.3 million tons compared with last year's increase of 1.27 million tons.

*

Crude oil production in Saudi Arabia during March amounted to 31,278,000 barrels, or a daily average of 1,009,000 barrels.

*

A further fall in the price of copper has occurred in France. The price is now Frs. 375 per kilo against Frs. 385 nearly three weeks back.

*

A one-year bilateral trade agreement providing for the export to Italy of Pakistani raw jute, wool, hides and skins, tea and cotton and for the import of Italian iron and steel, building materials and chemicals and radio and chemical equipment has been approved by both Governments.

*

French exports during March were valued at Frs. 145,688 million (£148 million) against Frs. 123,115 million (£125 million) in February and Frs. 136,544 million (£139 million) in March 1955. For the first quarter, exports totalled Frs. 408,282 million (£388 million), against Frs. 408,282 million (£415 million) in the corresponding period of 1955.

*

The Egyptian Government has announced that a customs duty of one per cent on all imported goods will be imposed.

*

It is reported asbestos cement building materials will be made in East Africa for the first time.

*

France is to begin producing heavy modern equipment required for oil exploration. Equipment envisaged includes winches and drills weighing from 10 to 30 tons.

*

United Nations Korea Reconstruction Agency is to import mechanical equipment to the value of 300,000 dollars to help a spinning firm in Korea to repair its mill which was damaged during hostilities. The mill will have a potential output of 342,000 lbs. of high quality spun silk per annum.

*

Nearly one thousand midwives have benefited from the vocational training programme undertaken in the Philippines with the help of the World Health Organisation and the United Nations International Children's Fund.

*

Forty iron lungs, bought out of its emergency funds by the Pan-American Sanitary Bureau at Washington have been transported by plane to Buenos Aires where an epidemic of poliomyelitis has just broken out.

*

More than 1,000 tons of heavy machinery and construction materials have been landed in Korea for the country's largest cement plant, now being built at Mungyong by the United Nations Korean Reconstruction Agency.

*

It is reported two specialists have been assigned to Iraq by the UN World Health Organisation, one in the field of maternal children health services, the other in the field of water purification.

INDIAN

It is reported a scheme for the establishment of one foreign silk worm race seed station at Chakrata in Dehra Dun district of Uttar Pradesh has been sanctioned recently. The station would rear 7,000 layings of univoltine seed per annum. A sum of Rs. 15,045 which represents half of the estimated cost has been sanctioned for the purpose.

*

A preliminary plan costing nearly Rs. 112 lakhs for the manufacture of streptomycin at the Hindustan Antibiotics Ltd., Pimpri, has reached the concluding stage. The scheme is expected to be taken in hand towards the end of 1956 or early in 1957.

*

Soap production of foreign-managed concerns for the years 1953, 1954 and 1955 was respectively 50,561 tons, 50,381 tons and 57,810 tons. Production in the organised sector during 1953, 1954 and 1955 was respectively 32,786 tons, 38,100 tons and 42,530 tons. The production of unorganised units was estimated at 1,20,000 tons in 1955.

*

An agreement has been signed between the Government of India, the Government of Norway and the United Nations for the provision of certain additional facilities under the Fisheries Community Development Project in Travancore-Cochin.

*

The Union Ministry of Production has constituted a Coal Prices Revision Committee comprising the Coal Controller, a representative of the Ministry of Production and the Chief Cost Accounts Officer of the Ministry of Finance.

*

The Union Planning Ministry has under consideration a proposal which aims at diverting incomes of Hindu religious shrines and endowments to financing the Five-Year Plan.

*

The Government of India have asked for training facilities for 14 persons in Soviet Russia under the United Nations Technical Assistance Administration Programme. Six of these persons are at present employed in the Geological Survey of India and the remaining 8 in the Oil and Natural Gas Directorate under the Ministry of Natural Resources and Scientific Research.

*

India produced 15,20,316 tons of manganese ore during 1955, whereas in 1954 the total output of manganese ore was 14,13,068 tons.

*

The Central Food Technological Research Institute, Mysore, has planned to start investigations on fish technology including canning trials on various Indian fishes.

*

A sum of Rs. 30 crores is expected to be allotted for oil exploration by the Oil and Natural Gas Directorate under the Ministry of Natural Resources and Scientific Research during the second Five-Year Plan period.

*

The Government of India have sanctioned a scheme for housing resident workers in plantations governed by the Plantations Labour Act 1951. The scheme, which has been put into operation in April will remain in force during the second Five-Year Plan period.

WHEN BUYING INSIST ON FAMOUS CENTURY FABRICS

Specialities

"PARAMSUKH" DHOTIES :	COTTON WASTE BLANKETS
"LAKES BEAUTY" MULLS :	UMBRELLA & TAFETTA CLOTH
DYED & BLEACHED MOTI VOIL :	DYED VENETIANS
STRIPPED POPLINS :	GREY SHEETINGS
LONG CLOTH :	DYED & BLEACHED TOWELS
GREY & BLEACHED SAREES :	CHECK SHIRTINGS

MULTI COLOURED PRINTED CHINTS, MULLS, CREPES ETC.
IN ORIGINAL DESIGNS

The Century Spg. & Mfg. Co., Ltd.,

INDUSTRY HOUSE, 159, CHURCHGATE RECLAMATION
BOMBAY

Managing Agents:

BIRLA BROS. LTD.

Special Articles

STOP THE TRANSPORT MUDDLE

(CONTRIBUTED)

THE self-assurance of the planners who have chopped off Rs. 355 crores from the original Railway Plan of Rs. 1,480 crores must have received a jolt during recent days, when a senior Minister of the Central Cabinet has had occasion repeatedly to complain that transport inadequacy was standing in the way of his fully realising some of his own plans. The complainant is no less a person than Shri T. T. Krishnamachari, the Minister whose responsibility it is to work some of the key portions of the Plan in the public sector, and also whose worry it is to get the private sector to play its full role in the next five years. The Commerce and Industry Minister has said, for instance, that the cement production cannot be increased beyond what is provided in the draft second Five-Year Plan, mainly because of the fear that the necessary rail transport may not be available to match the increased production. The misgivings to which Shri Krishnamachari has given open expression must be in the minds of many others who are faced with the prospect of producing large additional quantities of goods and commodities for which rail transport may not be available. Those concerned with the launching of large new projects, both in the public and private sectors, are even now pausing to ask themselves whether the schemes on which they are lavishing both money and other resources would be stalled because the railways may find that they cannot carry their goods.

What tends to make one uneasy in the extreme about the transport situation is the fact that much of the limited extra rail capacity which the planners have decided to provide for will be monopolised by the State. Pertinent to this is the disclosure now made that out of the sanctioned additional capacity of 42 million tons per annum by the end of the second Plan period, as much as 83 per cent will be reserved for steel, coal and cement traffic, leaving the rest of the country to share the balance of 13 per cent. If things were only as bad as that, it would be some mercy. Actually, the situation is much worse. According to the Planning Commission's own targets of production, additional traffic to the extent of 60.8 million tons per annum would be generated by the end of the second Plan. As against this, due to the limitation of funds, provision has been made only to the extent of 42 million tons, leaving about 19 million tons uncovered. The Planning Commission appears to have asked the Railways to guarantee transport to the extent of 35 million tons (out of the 42 million tons) for the three basic industries. Existing and new steel plants and raw products for them, including coal, would monopolise 25 million tons, additional coal for general and the Railway's own use would account for another six million tons, and additional cement four million tons. Out of the six million tons of coal, Railways themselves would require three to four million tons, leaving only two to three million tons for the rest of the country. The balance of seven million tons left out of the total of 42 million tons is to be shared by foodgrains, fertilizers, textiles, light and heavy engineering industry and a hundred and one other articles which the country needs and for which the Plan itself makes provision.

Where does the cut of 19 million tons, left unprovided for by the Planning Commission, fall? Seven million tons of the additional coal produced for general use, one million tons of additional cement production, and 11 million tons of general goods traffic will make up this cut of 19 million tons. As if this were not

enough, demands are now being made that the target of foodgrain production should be substantially raised. Here is the crowning piece. After the Planning Commission had slashed the original Railway Plan of Rs. 1,480 crores to Rs. 1,125 crores, further detailed examination has revealed that the original estimate of 60.8 million tons as the additional traffic might, after all, prove to be a gross under-estimate. A more correct estimate would appear to be somewhere between 70 and 75 million tons. That this is nearer the mark than the original estimate of 60.8 million tons is borne out by several factors. Original estimates made no provision for the vital export drive, a precious foreign exchange earner.

It has been assumed, also, that the lead of traffic would not increase—an assumption the folly of which would be apparent to those who study the trend of traffic leads in countries like USA and USSR. It is a matter of record that under the impact of planned development, the leads of the traffic in these countries went up by as much as 50 per cent. To expect that experience in India will be different is knowingly to invite disillusionment. Then, the original Railway Plan had assumed that manufactured goods or even commodities would move by rail only once, from the producer direct to the consumer. Common experience shows that goods often move first from the field and the factory to the wholesaler, and then from the wholesaler to the retailer, each stage involving movement by rail. No account has been taken of such duplicate movements. Under a free, unregimented economy like India's prevention of cross movements by rail, however desirable, presents its own serious administrative and other problems. The spectacle that faces the country and the Government, therefore, is that as against an estimated additional traffic of between 70 and 75 million tons, the Plan provides for no more than 42 million tons—a yawning gap of 28 to 33 million tons. That this unprovided for transport capacity will affect largely the share of the private sector of the industry is already clear. Let not the public sector, however, feel so unconcerned. For it is obvious that the Rs. 1,125 crores Plan, after taking care of the new steel traffic fully, and that of the additional coal and cement traffic partially, will have little capacity to spare for the rest of the public sector. In fact, if things are allowed to drift in the present manner, both the private sector and a considerable portion of the public sector will find themselves in the unhappy position of chasing rail transport which just will not be there.

What, then, is the way out from a situation which, candidly, looks ominous? Here, the Planning Commission finds itself on the horns of a dilemma. It faces a conundrum, the solution of which it is not easy to find. Yet they must find one, if transport chaos is to be avoided. The solution lies in marginally cutting the allocations made to some of the other Ministries which are not of direct importance to the main objective of the second Five-Year Plan, that is, rapid industrialisation, and to pass on the savings thus made to the Railways. Will the Planning Commission dare to recommend this solution? Here, alas, politics get mixed up with planning. The result is the pathetic admission made by the Planning Commission in its draft of the second Five-Year Plan that the transport position will be kept constantly under review and the allocation made to the Railways will be increased if resources permit. What the Planning Commission fails to realise,

is that funds placed at the disposal of the Railways in the third or fourth years of the Plan can be utilised only in the third Five-Year Plan. If the present wide gap in transport capacity, which is likely to assume serious proportions in the fourth and fifth years of the second Plan, is to be closed, it is imperative that the Railways be authorised now to enter into commitments for supplies which will be paid for only in the third and fourth years of the Plan. Even next year it may be too late, because it takes two to three years to build up new manufacturing capacity in the country, or to develop additional line capacity, or even to import rolling stock from abroad.

It is estimated that development of additional capacity of 33 million tons, the extent of the uncovered gap, would require a further investment of Rs. 150 to Rs. 160 crores. This would comprise Rs. 60 crores for additional 50,000 wagons, another Rs. 60 crores for additional 1,000 locomotives and Rs. 30 to Rs. 40 crores for developing additional line capacity. Roughly, it takes Rs. 4 to Rs. 5 crores in capital investment to carry an additional one million tons of traffic. That this additional investment will have to be found partly, or even largely, in foreign exchange may prove to be a more difficult problem to solve than finding the money itself. But the important thing is to give up vacillation and decide whether the country would deliberately go

in for a transport chaos, or whether it would make sacrifices in less important sectors in order to eliminate this risk.

Common sense boggles at the thought that the Planning Commission has failed to realise the gravity of the situation. The anxiety on its part to obtain "neutral" opinion on the Railway Plan from a succession of foreign experts and economists bespeaks of its desire to find a way out. But more expert advice is only helping to produce more confusion. In this confusion, which clouds vision and warps judgment, one cardinal factor is being overlooked. How much of the expert advice, even where found acceptable, can be taken advantage of during the second Plan period? This is the question of questions which the Planning Commission and its experts must answer. Whatever is in the nature of a long-term solution for curing the ills of our railway system or improving its efficiency, must be eschewed from immediate calculations. Where measures for improving railway efficiency are found to be capable of immediate and large-scale application, by all means let us have them—and quickly. But let not the planners get bogged down in theory which may have worked admirably in foreign climates but which has no application in present Indian conditions. The stake is great—the very success of the second Plan, on which the nation has fondly pinned its hopes.

THE BASIS OF COMPENSATION

THE discussion last week in the Lok Sabha on the nationalisation of banks was fruitful in at least one important negative manner. No nationalisation of banks beyond those already announced is to take place. This, however, is not a closed question and at least one aspect of the matter deserves special consideration in view of the fact that several members seemed to be of the opinion that the rate of compensation in the case of the State Bank of India had been excessive. This article is concerned with estimating the difference between the market value of shares and their share capital plus reserve funds.

The table below contains a study in respect of 11 Indian Banks. The last column in this table shows the market value of share capital worked as a mean of the highest and the lowest prices for the years 1954 and 1955. The third column shows the reserve funds at the end of these calendar years and the next column shows the share capital also at the end of each year.

The unexpected conclusion emerges that, over all the banks taken together the market value both in 1954 and 1955 was significantly lower than the sum of reserve funds and share capital. There are only two

banks, namely, the Bank of India and the Bank of Mysore in which this has not been the case, and here the differences are marginal. The Bank of Mysore is due for nationalisation so that the only private bank in which it might be said that the market value does no injustice to shareholder—assuming his rights are determined in terms of the sum of the reserve fund and share capital—is the Bank of India.

So to state the problem of compensation is again to do a shareholder an injustice. Companies earning profits after taxation shown in the first column must obviously be presumed to have substantial goodwill. Some of these banks have been in operation for over 25 years, and it is obviously unreasonable to assume that established companies of this kind carry no substantial goodwill outside their capital and reserves. If any conclusion is possible from these figures it surely is that, in the case of these banks, compensation on the basis of market value of shares is grossly unjust to shareholders. The State Bank of India's case should, therefore, never be a precedent in such cases, not because the compensation was high or low in that case, but because the principle is one which is unjust for Indian banks as a whole.

Serial No.	Profits after Taxation		Reserve Fund		Share Capital		Market Value of Shares	
	1954	1955	1954	1955	1954	1955	1954	1955
1. Allahabad Bank	16.15	13.19	1,08.00	1,08.00	45.50	45.50	1,35.97	1,28.80
2. Bank of Baroda	12.37	12.69	1,28.00	1,28.00	1,00.00	1,00.00	2,17.00	2,03.00
3. Bank of India	36.81	47.16	3,52.00	3,52.00	2,50.00	2,50.00	7,41.50	7,85.00
4. Bank of Indore	4.00	4.35	25.00	26.00	15.30	15.30	33.67	32.75
5. Bank of Mysore	8.04	8.37	84.00	84.00	50.00	50.00	1,50.00	1,40.50
6. Central Bank	54.14	58.76	3,58.29	4,01.81	3,14.54	3,14.54	8,24.12	7,08.37
7. Hind Bank	3.37	6.03	23.50	26.00	50.00	50.00	27.00	27.50
8. United Commercial	18.56	22.69	86.50	95.00	2,00.00	2,00.00	1,72.00	2,00.00
9. Union Bank of India	4.87	6.13	33.00	35.00	40.00	40.00	52.00	53.60
10. United Bank of India	17.02	19.17	68.00	70.95	2,66.36	2,66.56	1,18.07	1,24.40
11. Punjab National	27.36	53.41	92.50	60.00	87.50	87.50	95.59	1,36.50
TOTAL	2,02.69	2,51.91	13,58.79	13,86.76	14,19.20	14,19.40	25,66.92	25,40.42

Note: Market value based on the mean of the highest and the lowest prices.

Ask for Jute Goods:-

HUKUMCHAND JUTEMILLS,
LIMITED.
Estd:-1919

Mills at HAZINAGAR 24-Parganas.
Rly. Stn.-NAIHATI (Eastern Rly.) West Bengal.

Manufacturers of

**HIGH CLASS HESSIAN,
SACKING, CANVAS,
TWINE, ETC., ETC.**

My Agents;

RAMDUTT RAMKISSENDASS

9, BRABOURNE ROAD, CALCUTTA-1

**TELEPHONE Nos
22-3195 (3 Lines)**

**TELEGRAM
"JUTIFICIO" Cal.**

The Business World

FROM A MIXED ECONOMY TO A MEDDLING ANOMALY

By
CROESUS

THE Prime Minister of India sprang no surprise on the business community when, on Monday last, he re-enunciated the Government of India's industrial policy. For, for over a month now, inspired reports about the new statement on industrial policy, which is believed to have been drafted by a committee of Economic Secretaries, have been current, and it is seen that, except in regard to details, there is no appreciable difference between the new policy statement and the broad outlines thereof indicated earlier.

After reading the full text of the statement made by the Prime Minister, many felt like reiterating the observation made by Mr. M. A. Master when he recently addressed a public meeting on "Will Shipping be Nationalised?" He then said: "There will perhaps be no need to announce that the shipping industry will be nationalised. We shall, however, be soon witnessing the spectacle that steamers of the State alone will be running on some of the old routes which private enterprise has served and on all the routes which India is anxious to serve". Without being cynical, a veteran business man suggested that there is no longer the need to ask the question whether any industry is going to be nationalised, not that the absence of any indication to this effect would matter much after our experience of the 1943 statement on industrial policy. More than one industry not specifically scheduled therein for a take-over by the State was nationalised without any qualm. Yet the new resolution, I must say, represents a fundamental shift and a crucial change in the industrial policy of the country. There is no gainsaying the fact that the new policy promises to take the country even beyond perhaps than what the sponsors of the Avadi and the Amritsar Congress resolutions desired. It would be sheer hypocrisy to contend, as has been done, that the changes that have taken place since the enunciation of the industrial policy statement of 1948 warrant the reorientation of the policy on the lines on which it has been done. The truth is that doctrinaire principles have come to prevail. Surely, in order to realise the objectives indicated by Mr. Nehru or, for that matter, to accelerate the rate of economic growth and speed up industrialisation and develop machine making and heavy industries, it was not necessary to expand the public sector and hold a threat of extending it even further to the extent that has been envisaged. It is a moot point, again, if the new industrial policy will go long enough to reduce disparities in income and wealth, although it will certainly prevent the development and expansion of industries—which is not equivalent to the creation of private monopolies and concentration of economic power in all cases. But even granting that such a radical reorientation of industrial policy was called for, is the State today in a position really progressively to assume a predominant and direct responsibility for setting up new industrial undertakings and also for developing transport facilities, not to speak of undertaking State trading on an increasing scale?

In the course of his lecture referred to earlier, Mr. Master had dwelt on the relative achievements of private enterprise and of mixed economy and established that the achievements of private enterprise could stand very good comparison 'vis-a-vis' those of mixed economy. But even Mr. Master, I am sure, will not

ask today for a monopoly to private enterprise. Many would be content if the economic pattern in this country were left as it is, that is as a mixed economy. Not so, it seems, the Government. The mixed economy concept has to be content with only small mercies now. The conspicuous absence of even a reference to the term "mixed economy" in the new industrial policy is significant. As a Calcutta contemporary has aptly remarked, in the type of industrial structure that is now being visualised, "the tentacles of State control and interference threaten to reach down to the source of individual initiative and enterprise upon which private industry is founded". It is noteworthy that, even in the sphere of trading, the private sector is to have an opportunity to develop and expand only as an agency for planned national development in the context of the country's expanding economy.

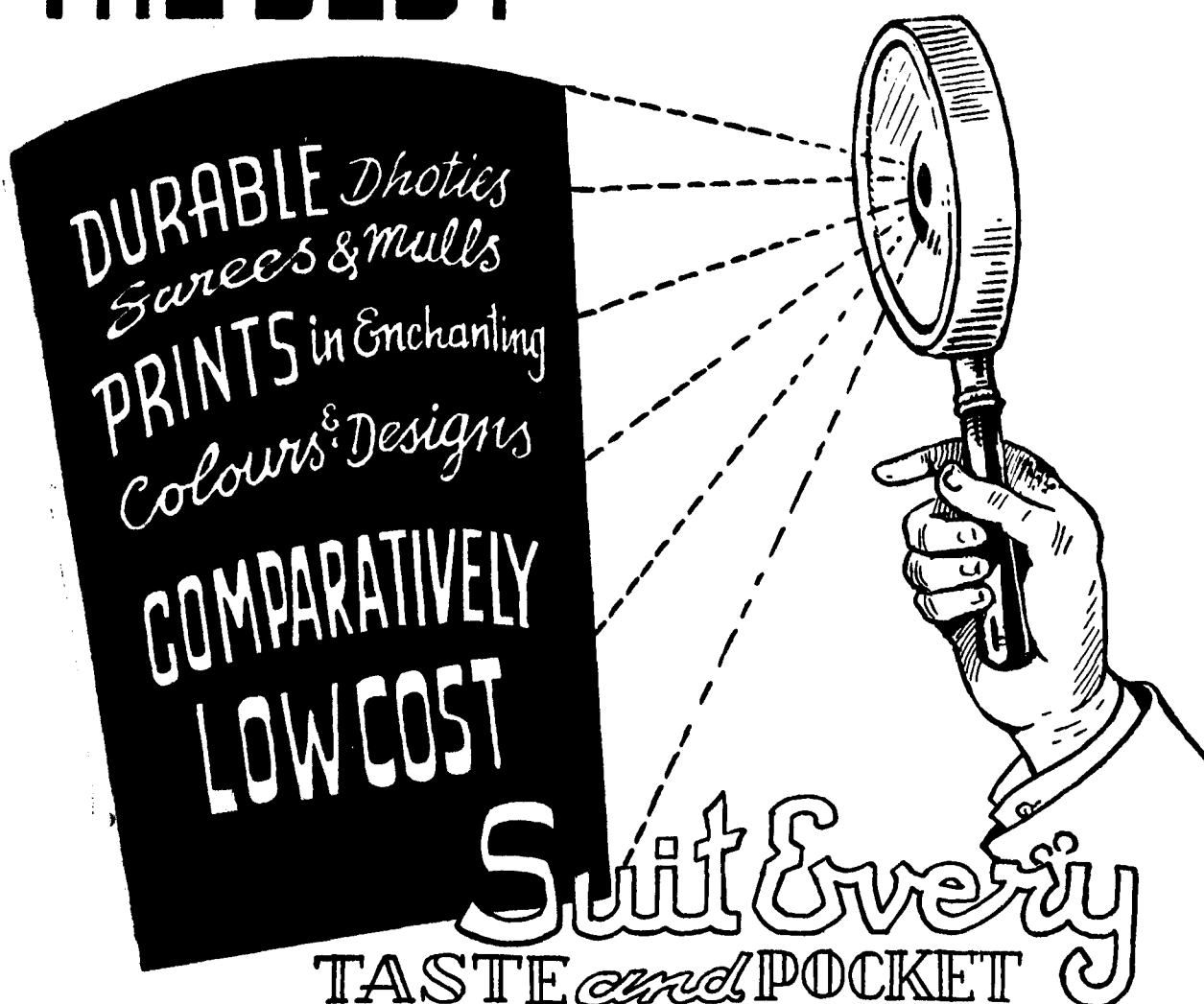
The new statement no doubt attempts to categorise the industries which will be the exclusive responsibility of the State, the industries which will be progressively State owned and of which the State will generally take the initiative in establishing new undertakings, but in which private enterprise will also be expected to supplement the efforts of the State, and industries in which further development will, in general, be left to the initiative and enterprise of the private sector. At the same time, the statement makes it clear that this classification is by no means watertight. This was only to be expected in the light of the observation in the draft outline of the second Five-Year Plan that, "in effect, it is appropriate to think in terms of interpenetration of public and private sectors rather than to separate the sectors." In the event, it is not so much the interpenetration of the two sectors but the super-penetration of the public into the private sector. Instead of clearly demarcating the spheres of operation of the public and the private sectors, it has rendered the position even more vague than under the earlier statement. The statement also does not adduce convincing reasons for the inclusion of certain industries, such as coal, etc. in schedule A. Similarly, the inclusion of generation and distribution of electricity under schedule A and the statement that this should not come in the way of generation and distribution of electricity purely for local purposes leaves the position highly uncertain. Apart from believing earlier expectations that generation and distribution of electricity would come under schedule B, it seriously limits further large-scale expansion of power generation, notwithstanding the assurance that the inclusion in schedule A does not preclude the expansion of existing privately-owned units or possibility of the State securing co-operation of private enterprise in the established and new units when the national interests so required.

Although the absence of any time limit for the operation of the new policy statement is to be welcomed, the fact that the policy makes it open for the State to take up any industry or trade and that there is no specific guarantee against nationalisation of any industry as such detracts greatly from the value of the statement.

It is all very well for the authorities, in their pursuit of an ideological principle, to propose a further shift towards the left. But they must not forget that

Products Of The BIRLA COTTON SPINNING AND WEAVING MILLS. LTD., DELHI.

THE BEST *from* ALL POINTS OF VIEW



Mg. Agents

BIRLA BROTHERS LTD.

this is beset with a great danger, in that it may lead to fundamental distortions in the aims and methods of our country which we profess to be a democracy. This country has, indeed, done well in eschewing violence in the political sphere, which is tantamount to the use of the stick as an incentive in the economic sphere. The logical corollary of this would be acceptance of the carrot. Whether this is called profit motive or social gain is best left to the people's conscience to decide. In the ultimate analysis, it is just not ideology that works but the initiative, enterprise, and experience of those who know. There is no wisdom in doing everything to discourage the latter and relying wholly or unduly on the former. Anyone in the 20th century would not be so unwise as to advocate a regime of

'laissez-faire'. But experience since the industrial revolution, more especially during the inter-war period and since, has established that it is not regimentation that can bring about a nation's prosperity. After what America, West Germany and Japan have achieved, it would be shutting one's eyes to argue that anyone of the objectives sought to be attained by the new statement on industrial policy can only be achieved by the proposed shift in strategy. There is no doubt much to be said politically for the revolution of expectations that this statement is sure to evoke. But if this is not to end up in a revolution of frustration, there is clearly a case for a rethinking of the new industrial policy statement. As a was tells me, it is a shift from a mixed economy to a meddling anomaly.

SEARCHLIGHT ON INSURANCE BILL

By

CROESUS

ALTHOUGH, in a democracy, it is the majority that counts, no one has had the temerity so far to suggest that the minority is never in the right. As a matter of fact, more often than not, it is the minority that may be expected to put forward the right point of view on problems of public interest, and my study of the joint minute of dissent by Messrs. Tulsidas Kilachand and G. D. Somani to the Select Committee's Report on Life Insurance Corporation Bill, 1956 convinces me that this view is correct. I am surprised that, in a legislation which is ostensibly intended for the good of the policyholders, there should be an endeavour to do away with even the protection that had been assured to them under the old Insurance Act. There are various provisions under the Insurance Act, 1938 which seek to secure the interests of policyholders. But Clause 43 of the Bill, as it has emerged from the Select Committee (Original 34), for instance, provides for the compulsory application of only certain provisions of the Act, with the result that certain important safeguards which the policyholders enjoyed under the 1938 Act have, so to say, been done away with. Thus, no provision is made for the election of policyholders' representatives either as members of the Corporation or as members of the zonal boards; again, there is no provision for keeping the expenses of management within prescribed limits, as though this were not necessary under a State undertaking; if anything, there is greater need to regulate expenses of management of public enterprises; one also misses in the Bill as approved by the majority of the Select Committee, the provision to regulate the investment of controlled funds in the interests of the policyholders. (It must, however, be added here that there is a provision empowering the Government to frame rules for this purpose).

When the interests of the policyholders themselves have not been fully secured, the shareholders may not dare complain that the basis of paying compensation due to them is unfair. It is, in my opinion, necessary to highlight some of these points made by these two distinguished members of Parliament in their joint minute of dissent.

The revised clause 22 of the Bill, it may be noted, provides for the formation of zonal boards and zonal members. But not even on these boards, let alone on the Corporation, is there any representation for the policyholders. Under the 1938 Act, there was provision for election of policyholders' directors on the boards of management of the concerned insurance companies. To deny the policyholders the representation on even

the zonal boards is, therefore, to ignore their interests altogether. It is no argument in support of the majority view to point out that the policyholders' interests can be expected to be well looked after by the members of the Corporation or the zonal boards, even if they do not happen to be representatives of the policyholders. For there is a genuine fear that anyone other than an elected representative of the policyholders may not be able to plead the case of the policyholders effectively. Accordingly there is considerable force in the point made by the two M.Ps. that it would be not only reassuring to the policyholders if their representatives were on the board charged specifically with the responsibility of looking after their interest, but also instilling more confidence in them which would make life insurance more popular and attractive.

In regard to expenses of management, it is the considered view of these two parliamentarians that, inasmuch as the Corporation has been given the monopoly of life business and the policies it issues are guaranteed by the government, and also because the Corporation is likely to get a large amount of business even without canvassing, the Corporation will not need to incur the same expenses as individual insurance companies had to incur with competitive salesmanship. Accordingly, it would have been proper as well as justifiable to provide for the enforcement of similar provisions as those that existed under Section 40b and other relevant sections of the Insurance Act. In other words, Sections 27, 27A, 40B of the Insurance Act 1938 with suitable modifications should be made compulsorily applicable to the Corporation.

As regards investment of insurance companies, the guiding principle everywhere is that the investment should be spread as widely as possible, should give a handsome yield, and should be secure. It was with this object in view no doubt that Section 27 of the Insurance Act, 1938 imposed certain conditions on the investments of insurance companies. Since the known purpose of nationalisation which has been embarked upon is to enable the Government to be in possession of adequate funds, it is feared, there would naturally be a tendency for Government to invest as much portion of the insurance funds as possible in government securities and, correspondingly, to reduce the portion of investments in industrial securities and property, etc., the average yield in respect of the latter of which would be relatively higher. There is also the danger in a corporation such as the one proposed to confine its investments to the equities of only a few companies in order to save the trouble of investigating

and ascertaining the best equities. It is surprising that the Bill in question as approved by the majority has nothing to say on this important issue.

Perhaps the most important aspect of the Life Insurance Corporation Bill, 1956 is the basis of compensation payable to insurers. This is dealt with in the first schedule to the Bill. The basis of compensation takes into account the method of valuation of surplus, the relevant period of valuation, and the percentage of valuation surplus appropriated for the benefit of shareholders, which is as it should be. But in regard to the percentage of valuation surplus appropriated for the benefit of shareholders, the majority would appear to have taken a line that is clearly indefensible. As regards the period of valuation also, the average of the last two valuations of a company is adopted and the figure so arrived at adjusted with the average business in force during the calendar years 1950-55.

As a general rule for purposes of valuation of an ordinary trading business, no exception should be taken if the basis adopted were its profits over a number of years, because, in some years, these are low and in others high, inasmuch as profits tend to fluctuate from year to year in the case of these businesses. In the case of insurance business, on the other hand, in the very nature of things, the volume of business goes on increasing and with it also the valuation surplus. The earning capacity of an insurance company, therefore, is higher as the years pass. One would have expected our legislators to adopt the earning capacity of the insurance companies on the date of the taking over or as near it as possible as the basis for computing the compensation. But, under the arrangement pro-

posed by the majority, the date that would be taken into consideration for determining the earning capacity would be shifted back to the detriment of the interests of shareholders. The apprehension of the two M.Ps. that the underestimate of compensation consequent on this back-dating would be considerable is quite genuine and I would therefore support the arrangement that they have proposed, namely, to adopt the valuation for the year 1955 or, if this is found to be unacceptable, to ensure the basis for ever company on its last valuation surplus adjusted in proportion to the business in force as at the end of the year 1955.

Similarly, there should be no objection to accepting the suggestion of these two M.Ps. in the matter of the percentage of surplus to be taken into account. As they say, there is no reason to vary the percentage allocation by any company within the limits laid down by law. There is a clear risk of injustice happening to insurance companies if the percentages are less than those of their respective valuations. For, it should not be forgotten that it is on this basis that the shareholders would have purchased their holdings in these companies. Moreover, even the limit of 7½ per cent laid down in the 1938 Act is relatively lower than the corresponding limits permitted in other countries. In these circumstances, the upper limit of 5 per cent endorsed by the majority is not only arbitrary but also unfair. The only improvement that the majority has effected in regard to this aspect of the matter is to increase the limit of companies appropriating less than 3 per cent to 3½ per cent. But this is neither here nor there. If, therefore, the percentage is not raised when the Bill comes up before Parliament, the least that our legislators could do is to insist that the basis for any company should be the actual percentage appropriated by that company in respect of its last valuation.

Economic Report from the U.S.

NEW IDEAS IN BUSINESS MANAGEMENT

(By Guy Sims Fitch)

HOLLYWOOD BEACH, Florida, May 1.—Business gatherings are not exactly rarities on the American scene. But last week, at this Florida resort town, a little-noticed meeting was held that deserves more than a passing glance. The 400 men who attended it all are 40 years of age or under, and all are heads of companies doing at least one million dollars worth of business a year. Affiliated with the "Young President Organization", they were attending the Group's sixth annual "school" on management improvement. Its curriculum speaks volumes about the views and interests of American business leaders of the future.

Anyone present at last week's sessions could not help but be struck by the breadth of their subject matter. This year, the school offered 55 different "workshops" on current management problems. At the same time, the school's outlook was notable for its lack of insularity. The major theme was the "world around us". Delegates discussed such wide-ranging topics as higher education, new patterns in business thought, and the role of organized labour in society.

In assessing the attitudes of these young business men, it needs to be recalled that they grew up during the difficult years of the 1930's, but have pursued their careers during the post-war years of prosperity. Now at issue in their minds, and indeed accepted, are the many reforms that grew out of the experiences of the 1930's—reforms that help make the possibility of serious economic decline a remote one. It is no surprise, there-

fore, to find them a generally forward-looking lot, aware of economic pitfalls but unimpeded by fear that could stifle enterprise and initiative. They believe in change. They have demonstrated a willingness to try new ideas in business management—including such devices as profit-sharing, and stock-purchase plans for their employees. They accept government as an economic moderator, and they accept organized labour as a legitimate spokesman for the workers. They put great emphasis on planning. Particularly on their minds is long-range planning to meet the growing needs of a rising population that expects to keep on improving its living standards. And they agree that with business, labour and government working together, the American economy cannot help but grow and prosper.

With few exceptions, they welcome automation for the benefits it can bring to business in the way of more efficient operations and to the worker in the way of higher pay, shorter hours, better working conditions and higher living standards. But they also recognize that as the trend toward automation grows, considerable thought must be given to certain economic and social problems: workers will have to bring new and higher skills to their jobs and a great many people will have to find constructive outlets for their increased leisure time.

They see a need for the executive with a well-rounded education and place greater stress on what they call "creative thinking".

BUSINESS NOTES

GAMBLING AND THE LAW

THE FORWARD MARKETS COMMISSION has become increasingly active these days. One of its recent moves has been to warn speculators in non-transferable specific delivery contracts. With the application of the Forward Contracts (Regulation) Act, 1952, to cotton, cotton cloth and yarn, edible oilseeds and oils, raw jute, spices, sugar, wheat and gram, seedlac and shellac, forward contracts in these commodities are either prohibited or permitted only through recognised associations. Non-transferable specific delivery contracts, however, remain free, except in the case of wheat and gram in the whole of India, and in the case of certain oilseeds in Bombay, though the Central Government has powers, under Section 18(3) of the Act, to bring these contracts also under regulation.

The main conditions of a non-transferable specific delivery contract, as the description of the term itself clearly conveys, are: first, that there should be an intention actually to give and take delivery of specific types or qualities of goods and, secondly, that the rights and liabilities under the contract should not be transferable. It has been reported that, in several cases where forward contracts are prohibited, such contracts (forward contracts) are entered into under the guise of non-transferable specific delivery contracts, even though these do not conform to the requirements of the law.

The necessity of controlling unhealthy speculation through a statutory body is recognised by all. But it is only when the statutory body dubs all trading as speculation and tars all traders with the same brush that it provokes criticism. The sole rationale of forward trading is the provision of hedging, which is an important facility for those who have to carry stocks, in so far as it offers a valuable insurance against wide price fluctuations. By eliminating some of the risks of carrying stocks, forward trading also helps the grower, who generally does not have the means to hold on indefinitely for a better price. Without the participation of traders and large-scale consumers like, say, mills, any forward market would be narrow and less liquid with prices being hardly stable. The essence of forward trading consists in cushioning the risk of price fluctuation. It is, as such, wrong to limit forward trading exclusively to producers and consumers, on the pretext that hedge facilities are abused by persons who have no "direct interest except in making quick money". The object of the Forward Contracts (Regulation) Act, as can be judged from the Statement of Objects to the Bill and the Minister's statement in Parliament when it was under discussion, is to provide hedging facilities for both producers and traders and to have forward markets which would play "a useful part in tempering price fluctuations". According to the Forward Market Commission's press rejoinder to Sir Purshotamdas Thakurdas issued last week, however, it is now claimed that the forces of supply and demand are not the only criteria for the efficient functioning of the market but that other factors, such as national income and requirements of planned development also would have to be taken into account.

Be that as it may, it may be easy to suppress forward trading or stamp out betting on horses with just a simple fiat or firman declaring these illegal, but what about the other forms of gambling that take more injurious forms? Whether we like it or not, this spirit of gambling has today spread even to the remotest villages, making a hollow mockery of even the worst

forms of forward trading and led to rampant speculation in all manner of things that can be bought and sold, gold and silver, grains or seeds. It is not only the moral aspects of such gambling, but its material aspects as well, that present a serious problem and have defied solution hitherto. So long as buying and selling is free or relatively free, and people have to carry large stocks of commodities which cost money and involve risks of price fluctuations, the facility for hedging, which organised markets offer, cannot be lightheartedly dispensed with. Even so, one must accept that, between such forward trading and the Dheria market where one can bet for a pice, or betting on cotton figures, *sutta khel*, the dividing lines are not as sharp as they should be. Herein lies the headache of a body like the Forward Markets Commission.

REVISED POLICY FOR CEMENT

ONE OUTSTANDING fact of immediate importance, affecting the Government's policy on cement, which emerged from last Monday's discussion on the subject in the Lok Sabha, is that a striking change is to be introduced in the matter of distribution and price regulation of this commodity. A deeper probe into the persistent demand which is being pressed for the last few weeks for liberalising the imports of this basic developmental material has conclusively established that the whole problem needs to be reconsidered afresh and attention cannot be restricted only to the present requirements of imports. The consumption of cement is increasing with such rapidity that unless a comprehensive policy on distribution and pricing is adopted, sharp regional shortages and price disparities can hardly be prevented. In the first quarter of 1956 total demand for cement rose steeply to an annual rate slightly below 10 million tons which is double the current rate of home output. This rate of demand is sure to keep on increasing and it would pose a difficult problem for the industry and Government.

Mr. T. T. Krishnamachari has assessed that the problem of short supply will be hard to tide over at least till the end of 1957 when domestic production could be increased possibly to 9 million tons. The supply situation will then ease, but meanwhile the pressure of demand will continue to increase. Imports of 400,000 tons which have been arranged so far will have to be stepped up from time to time. The strategic importance of cement to a majority of development projects dictates the necessity of putting control on import and internal distribution. This task is to be assigned, as the Minister made it clear, to the forthcoming State Trading Corporation on very much the same pattern as the control over distribution and pricing of iron and steel. Total supplies, including indigenous production and imports, will be pooled together and prices will be equalised. It should be noted in this context that the c.i.f. price of imported cement ranges between Rs. 113 and Rs. 118 per ton as against the range of Rs. 71 to Rs. 79 for home-produced cement inclusive of freight charges. Packing and handling charges are, of course, additional to this latter price. Manufacturers in India are said to have asked for a price increase of Rs. 20 per ton for their output. Mr. Krishnamachari's observations on the price factor indicate that an increase of some such order would be necessary if more ambitious schemes of expansion are to be encouraged successfully in the private sector which takes responsibility for almost the whole output except for a fractional share.

The target of cement production of ten million tons (which would necessitate a capacity target of 12 million tons) suggested in the Draft Outline of the second Plan, has obviously become inadequate. On reasonable reconsideration a revised production target of 16 million tons (or over 18 million tons of installed capacity) has become necessary. This question is currently pending investigation at the hands of the Planning Commission. However necessary and desirable it may appear, any revision of cement expansion schemes will have to be fitted in with the transport capacity which the railways can spare. The limitations on the availability of this capacity are quite well known. The railway development programme provides transport for an additional 5 million tons of cement or 9.5 million tons in all. The gap of 6.5 million tons (on the assumption of a target of 16 million tons of output) would require the creation of an extra 130 per cent rail transport capacity. With no prospect of pressure easing from any other points, it is difficult to underrate the magnitude of this limitation.

EXPORT CREDIT GUARANTEE

IN A competitive world market where the buyer's voice is becoming more and more predominant there has arisen the necessity for offering liberal inducements to the overseas importer. Exporters in most countries have found it advisable to provide attractive terms of credit to their foreign customers. This increasing emphasis on export credit is not without its own risks, but these risks have to be undertaken on reasonable assessments. The element of risk exposes individual exporting firms to the danger of substantial financial losses. While on the one hand the object of the export credit guarantee system should be to make suitable provision of insurance in cases where ordinary insurance companies do not accept the risk, on the other hand, an important purpose ought to be promotion of exports which might otherwise make slow headway. It is clear that the balance of advantage would lie in setting up an export credit guarantee system. This is the view urged upon the Export Credit Guarantee Committee by the Federation of Indian Chambers of Commerce and Industry.

The Federation's memorandum does not claim to suggest any novel features for incorporation in the system which should be adopted in this country. On the other hand, it makes a frank observation that schemes for such guarantees which are operating in different countries are substantially the same in their broad pattern. Nevertheless, some of the principal suggestions made by it are worthy of careful attention. The Federation is of the view that the guarantee system in this country should start with a limited coverage. A scheme of this nature would be compact and capable of being worked efficiently. The Federation favours two types of policies under the scheme as in the UK, namely, shipments policy and contracts policy to cover distinct types of risks. The contracts policy should apply to additional risks like non-renewal or cancellation of export licences, imposition of restrictions on exports and similar changes in official policy subsequently introduced, circumstances leading to nonfulfilment of contracts on account of reasons beyond the exporter's control such as non-availability of transport, etc. As for the categories of commodities to be covered, the scope should extend to exports of machinery and durable consumer goods in respect of which India is trying to build new markets and similar goods for which a stable or developing market has not been built. Profit margins in export trade are tending to contract and it is of the utmost importance that the cost of the guarantee system should not

reduce these margins or reduce the competitive strength of exports. Premia under the system must necessarily vary from commodity to commodity but the general average, it is urged, should be about 1 per cent of the export cost. The Federation proposes that exporters should retain at least 20 per cent interest of the gross invoice value in the policies to ensure that they would continue to exercise all necessary prudence in their deals. Its other recommendations point to the desirability of extending the policies for specified commodities throughout the world to minimise premia and risk and establishment of a corporation to work the system in collaboration with the general insurance companies if they choose to participate in it.

WORLD MEET TO LAY SURPLUS GHOST?

WHETHER IT is in India or elsewhere, cotton this season seems to be in a mess all right. If it is the handling of the problem by the Forward Markets Commission that has produced a crisis in the cotton market in this country, the policy adopted in the distribution of her surplus cotton by America has provided a perennial source of headache to all the cotton-producing countries in the world. America's recent decision to embark on a policy of competing in the world markets has given rise to widespread apprehensions in the minds of many as to whether this would not result in damaging world cotton interests as a whole. Even though the details of this plan were adumbrated, for the first time, by the International Cotton Advisory Committee itself at its 1954 June meeting, the implications of the plan, with particular reference to the consequences on the price front of world cotton markets, are expected to be discussed threadbare only at the 15th plenary meeting of this body, which is scheduled to take place in Washington from May 8 to May 17.

The Conference is expected to be represented by the full complement of its members from 33 Governments of cotton exporting and importing countries, accounting for nearly 95 per cent of the world trade in cotton (outside the USSR). India will be ably represented by Mr. Manilal Patel, a leading cottonman of Bombay, who may be assisted by a senior official of the Indian Embassy in the US.

An examination of the statistical facts reveals that the accumulation of stocks in the US is the direct consequence of a high level of production aided and abetted by that country's price support policy, on the one hand, and a growing shrinkage in her as well as of world cotton exports generally. Cotton production in the US, which was 16 million bales in 1949-50, fell sharply to 9.9 million bales in the following season consequent on acreage restrictions. Although these restrictions on production became effective from 1950-51 onwards and were made even more severe since then, the production trend refused to slacken. In fact, from 1951-52 onwards it was one of increasing output, even the peak figure of 16 million bales in 1949 having been outstripped during 1953-54 with that year's outturn of 16.4 million bales. Since then, however, there has been a steady fall to 13.6 million bales in 1954-55. By the 1955-56 cotton season, it is estimated that cotton production would again be higher, being around 14.5 million bales, notwithstanding all the efforts of the authorities to limit production to just ten or eleven million bales. What has been achieved by acreage restriction has been almost wholly undone by the phenomenal rise in the US per-acre yield of cotton. On the disappearance side too, neither the US consumption nor her export has increased sufficiently to make any appreciable impression on the supply position. In the result, the imbalance between supply and demand in respect of American cotton is threatening to become a hardy annual. This

aspect of the matter will, of course, be discussed fully at the Conference.

Is America alone to be blamed or this surplus cotton problem? From the persistent manner in which the accusing finger has been directed towards her, it would seem so. But is it really so? Honestly, no one can say yes without any qualification to this affirmative. For, while America was at great pains to restrict her cotton production, other countries—whatever individual justification they may have had—went on increasing their plantings and merrily feeding the vicious circle. To have an effective control even on her own cotton output, America needs the assistance of other countries. Practical economics demands that America realise this fully and make every effort to keep the other cotton-growing countries in good humour. It is in this context that the forthcoming world Conference gains added significance. Every country participating in the Conference will get an opportunity, one hopes, to speak out its own peculiar problems arising out of America's decision to sell her cotton at competitive prices. In all such matters, especially, it is needless to say, a frank heart-to-heart talk between the concerned parties is a pre-requisite to the solution of any problem.

NEPA MILLS

THE RS. 6½-CRORE NEPA MILL, formally opened by the Prime Minister last week, is the first newsprint factory in India, and perhaps the only one of its kind on the mainland of Asia. It has a capacity of 30,000 tons a year, though output at present is lower at 60 tons a days. As production gets into stride, Nepa should satisfy nearly a third of India's requirements of 100,000 tons of newsprint annually, which are imported at a cost of about Rs. 8 crores. Imports of newsprint recorded an increase of 350 per cent between 1930 and 1955; they were 79,000 tons during 1954-55.

Production at Nepanagar is based on the use of **salai** for groundwood pulp and of **bamboo** for chemical pulp. This is a departure from the use of the conventional raw materials abroad. Conifers are the traditional raw materials used abroad in the manufacture of paper, newsprint, and chemical pulp. Though these are available in our country, their utilisation has been difficult owing to the inaccessibility of the Himalayan region, where they grow. Efforts are being made to open up these areas for exploitation. The utility of bagasse, eucalyptus, wattle and other hardwood species is also being investigated. A team of experts is visiting this country this year to prepare a project report on the subject. As the Nepa Mill is not in a position to meet the entire requirements of newsprint, further production capacity has to be installed. Two more newsprint mills are likely to be put up in the near future, one at Coimbatore in South India and the other in the North. Undoubtedly, both of these will profit enormously from the pioneering work that has been, and is being done at Nepanagar.

India has a long tradition in the paper trade. There are in this country at least 20 odd mills with an annually capacity of 2.12 lakh tons, manufacturing different varieties of paper and boards to the tune of 180,000 tons per annum. The industry is meeting the indigenous demand only to the extent of 80 per cent of printing and writing papers, 50 per cent of specialties, 30 per cent of packing and wrapping and about 95 per cent of paper and pulp boards. Tissue, parchment, grease proof, writing and printing, kraft and electrical grade papers and boards are being imported in various

quantities. The heavy duty imposed on old newspapers and the restrictive end-use of newsprint are intended mainly to enable the production of cheap wrapping and printing papers. The industry at present operates mostly with old and reconditioned plants. The investment in the industry in 1952 was Rs. 25 crores. Modernisation and substantial expansion of the mills and installation of new units licensed so far will require an investment of Rs. 20 crores. In the second Plan an outlay of Rs. 66 crores is envisaged so as to produce six lakh tons of paper and boards. It may be noted, however, that most of the machines and even some of the consumable stores, such as paper makers' felts and wires, have to be imported.

RESOLUTION ON BANK NATIONALISATION

FOR SOME time apprehensions were raised about the possibility of nationalisation of commercial banks in the country. A brief reference by the Prime Minister in a speech to the desirability of treating economic services like insurance and banking in a separate category from other enterprises in respect of nationalisation and the abrupt decision to nationalise life insurance had created an atmosphere of uncertainty about the future of commercial banks for some time. Not that there was an impending threat to banks, but the existence of fears of likely nationalisation at some time in the not distant future was itself highly undesirable. These doubts were set at rest by an unequivocal statement by the Finance Minister in the Lok Sabha to the effect that nationalisation of commercial banks as such was not contemplated by the Government. In the context of this policy statement, Mr. Gurupadaswamy's non-official resolution on nationalisation in the Lok Sabha need not have been pursued. If it was rejected by an overwhelming majority of votes, this fate of the resolution was a foregone conclusion.

The debate on the resolution served to disclose the basic weakness of the argument for nationalisation. It ought to be remembered that among the countries of the underdeveloped regions of the world, India ranks as one of the few which have built a sound and efficient structure of modern banking. Mr. Gurupadaswamy's allegation that the history of private banking in India was full of "disappointment, mismanagement, mishandling, misfeasance and mispursuit" was not only unsubstantiated but too wild and sweeping even to be noticed. Mr. A. C. Guha was constrained to dismiss the facts and figures quoted by the mover as irrelevant to the matter under discussion. His reply, however, was valuable in one sense. He removed some of the misconceptions on the subject. In considering the failures of banks (largely non-scheduled) in the post-war period, one had to remember that the majority of the failures related to West Bengal and here the upsets caused by the partition of the country were primarily responsible for them. Some more bubbles were also pricked by Mr. Guha in his reply. The savings of the community channelled into the commercial banks could hardly be used for development projects in the public sector. The obvious reason is that they represent short-term investments which cannot be locked up in long-term public enterprises. The adoption of the socialist pattern of society did not imply total effacement of the private sector and the necessity of a mixed economy and gradual transformation are recognised. Over 90 per cent of the production in the economy comes from the private sector in the context of which bank nationalisation ceases to have real reasoning. The statutory powers invested in the Reserve Bank of India provide ample safeguards for regulation of commercial banks and since the last five years they are being exercised with increasing effect.

MAHINDRA AND MAHINDRA LIMITED

NOTICE

The 10th Annual General Meeting of the Shareholders of Mahindra & Mahindra Ltd. will be held at the Registered Office of the Company, Gateway Building, Apollo Bunder, Bombay-1 on Monday the 14th May, 1956 at 4-30 p.m. to transact the following business.

1. To receive and adopt the Directors' Report, the audited balance sheet and profit and loss account for the year ended 31st October, 1955.

2. To declare dividend on Preference and Ordinary Shares.

3. To appoint a Director in place of Mr. K. C. Mahindra who retires by rotation under Article 110 of the Articles of Association but is eligible for re-election.

4. To appoint a Director in place of Mr. H. C. Mahindra who retires by rotation under Article 110 of the Articles of Association but is eligible for re-election.

5. To appoint a Director in place of Mr. Jal H. Mehta who ceases to hold office by virtue of Article 116 of the Articles of Association but is eligible for re-election.

6. To appoint a Director in place of Raja Maharaj Singh who ceases to hold office under Article 116 of the Articles of Association of the Company, but is eligible for reappointment.

And to consider and if thought fit to pass the following resolution of which special notice as required by Section 281 of the Companies Act, 1956, has been received by the Company and the relative explanatory statement concerning which as required by Section 173 of the said Act is annexed hereto.

Ordinary Resolution—

"Resolved that the age limit prescribed under Section 280 of the Companies Act, 1956 shall not apply to Raja Maharaj Singh who has attained the age of 77 years and who retires under Article 116 of the Articles of Association of the Company and that he be re-appointed a Director of the Company".

7. To appoint a Director in place of Sir D. N. Mitra who ceases to hold office under Article 116 of the Articles of Association of the Company, but is eligible for reappointment.

And to consider and if thought fit to pass the following resolution of which special notice as required by Section 281 of the Companies Act, 1956, has been received by the Company and the relative explanatory statement concerning which as required by Section 173 of the said Act is annexed hereto.

Ordinary Resolution—

"Resolved that the age limit prescribed under Section 280 of the Companies Act, 1956 shall not apply to Sir D. N. Mitra who has attained the age of 65 years and who retires under Article 116 of the Articles of Association of the Company and that he be re-appointed a Director of the Company".

8. To appoint a Director in place of Rai Bahadur Isher Das Sawhney who ceases to hold office under Article 116 of the Articles of Association of the Company, but is eligible for reappointment.

And to consider and if thought fit to pass the following resolution of which special notice as required by Section 281 of the Companies Act, 1956, has been received by the Company and the relative explanatory statement concerning which as required by Section 173 of the said Act is annexed hereto.

Ordinary Resolution—

"Resolved that the age limit prescribed under Section 280 of the Companies Act, 1956 shall not apply to Rai Bahadur Isher Das Sawhney who has attained the age of 73 years and who retires under Article 116 of the Articles of Association of the Company and that he be re-appointed a Director of the Company".

9. To appoint Auditors for the current year and to fix their remuneration.

10. Section 293, sub-section (1)(d) restricts the total borrowing powers of the Board of Directors to the paid-up capital of the Company and its free reserves which amount to Rs. 80 lacs. The Company's borrowings from the various banks amounted to Rs. 9,26,49,989 on 31-3-1956. It is therefore necessary to approach the shareholders for approval of these borrowings by the Company.

And to consider and if thought fit to pass the following resolution as required by Section 293 (1) of the Companies Act, 1956 and the relative explanatory note as required by Section 173 of the said Act is annexed hereto.

"Resolved that the consent of this Company be and it is hereby accorded to the Board of Directors borrowing monies in excess of the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose and that such borrowing shall be exclusive of the temporary loans obtained or to be obtained by the Company from the Company's Bankers in the ordinary course of business. Resolved further that the Company doth hereby ratify and confirm, all borrowings by the Directors after 2nd April, 1956 which are in excess of the aggregate of the paid-up capital and free reserves of the Company".

A member entitled to attend and vote at a Meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.

By Order of the Board,

KESHUB MAHINDRA,
Director.

28th March, 1956.

The transfer books of the Company will close from 30th of April, 1956 to 14th of May 1956 both days inclusive.

The dividend when sanctioned will be made payable to those shareholders whose names stand on the Register of the Company on 14th May 1956 and the dividend warrants will be duly posted to them on or after the 25th May, 1956.

The shareholders are requested to immediately notify any change of address.

EXPLANATORY STATEMENTS AS REQUIRED BY SECTION 173 OF THE COMPANIES ACT, 1956

In respect of Item No. 6 of the above notice of the 10th Annual General Meeting of the Company it is

notified that Raja Maharaj Singh who retires under Article 116 of the Company's Articles of Association but is eligible for re-election is 77 years of age and accordingly the ordinary resolution set out in the said Item is necessary under Sections 280 and 281 of the Companies Act, 1956 to be passed, for his reappointment as a Director and special notice under the Provision of Section 281 has been received by the Company from a member of his intention to move the said resolution at the said Annual General Meeting.

In respect of Item No. 7 of the accompanying notice of the 10th Annual General Meeting of the Company it is notified that Sir D. N. Mitra who retires under Article 116 of the Company's Articles of Association but is eligible for re-election is 65 years of age and accordingly the ordinary resolution set out in the said Item is necessary under Sections 280 and 281 of the Companies Act, 1956, to be passed, for his reappointment as a Director and special notice under the Provision of Section 281 has been received by the Company from a member of his intention to move the said resolution at the said Annual General Meeting.

In respect of Item No. 8 of the accompanying notice of the 10th Annual General Meeting of the Company it is notified that Rai Bahadur Isher Das Sawhney who retires under Article 116 of the Company's Articles of Association but is eligible for re-election is 73 years of age and accordingly the ordinary resolution set out in the said Item is necessary under Sections 280 and 281 of the Companies Act, 1956 to be passed, for his reappointment as a Director and special notice under the Provision of Section 281 has been received by the Company from a member of his intention to move the said resolution at the said Annual General Meeting.

In respect of Item No. 10 of the accompanying notice of the 10th Annual General Meeting of the Com-

pany it is notified that the major portion of the borrowings from the Banks is on account of the financing of import of Steel which the Company has been doing on behalf of the Iron and Steel Controller as well as on its own account as a recognised stockist. In the calendar year 1955 out of the total imports of 520,000 tons of Steel in India by the Iron & Steel Controller the Company imported over 187,000 tons which represents about 36 per cent of the total imports. Each ton of steel costs on the average between Rs. 500 and Rs. 700. Financing of such large imports needs strong banking credits. The Company has been fortunate in securing such assistance from the following Banks: Lloyds Bank Ltd., Bank of India Ltd., Bank of Tokyo Ltd., Mitsui Bank Ltd., National Bank of India Ltd., Bank of China.

The Government of India has entered into several contracts with Governments of Russia, Belgium, Germany and China for the import of Steel and the Iron and Steel Controller has allotted to the various importers of Steel the commercial handling of such business and the Company is receiving its share of such allotments.

With the advance planning to import three million tons of Steel in the next 3 years, the tempo of purchase will continue to increase and consequently the share of your Company in such imports will also increase. This will require provision of additional credit facilities.

The anticipated increased turnover in Jeeps, Spare Parts, and in manufacturing operations will also require additional finance provisions. Trading for the first five months of the current year is well above the average of the past year in all the divisions. In order therefore to maintain and develop its business it is necessary for the Company to have recourse to large credit facilities from Banks and other institutions.

THE RAMAYANA OF TULSIDAS IN ENGLISH VERSE

LATEST "HINDUSTAN TIMES" PUBLICATION

The famous Hindi epic regarded by many as "the greatest book in all devotional literature" is for the first time now available in English verse.

The translator, the Rev. A. G. Atkins, completed the book after ten years of devoted work. He has tried "to keep and express in English in the fine rhythm and music of the original in simple lucid language, and with as much of the vivacity, wittiness and picturesqueness that Tulsidas has put into his work." He has also followed in some measure Tulsidas's metrical variations such as *chhand*, *chaupal*, *doha* and *soratha*.

In a foreword Mr C. Rajagopalachari says: "Mr Atkins' monumental work and his Introduction are a revelation of hope for those who desire to see all the great religions of mankind come together. . . . His service is not only to English-speaking people but also to that very large number of Hindus in India who do not speak the Hindi language and to whom English has become a very familiar medium."

The book is of special value to libraries, scholars and devotees of Tulsidas.

It has been issued in the following four editions:

- I. Original text of Tulsidas with translation in English verse; three volumes; 1468 pages; price Rs. 50 net.
- II. Translation in English verse; without Hindi text. two volume; 898 pages; price Rs. 40 net.
- III. Special tissue paper edition of I, one volume, price Rs. 100 net.
- IV. Special tissue paper edition of II, one volume, price Rs. 100 net.

POSTAGE EXTRA

The Manager,

THE HINDUSTAN TIMES,
NEW DELHI.

COMPANY AFFAIRS

THE INDIAN OVERSEAS BANK, LTD.

During the year 1955, the upward trend in bank resources in general continued, the total liabilities of Scheduled Banks rising by Rs. 90 crores from Rs. 942 crores at the close of 1954 to Rs. 1,032 crores at the end of 1955. Their total credit registered an expansion of Rs. 102 crores. There was an increase in total advances, including bills, of Rs. 93 crores, expansion in notes issued of Rs. 148 crores and in money supply of Rs. 206 crores. In brief, monetary tendencies reflected predominantly the implementation of the first Five-Year Plan. The Reserve Bank of India rate has remained unchanged at 3½ per cent from the middle of November 1951, while the Bank of England rate has gone up steadily from 3 per cent to 3½ towards the end of January 1955, to 4½ per cent about a month later and again to 5½ per cent in February 1956.

The working of the Indian Overseas Bank for the year 1955 has been satisfactory, establishing some new records. In 1954, deposits had improved by Rs. 132 lakhs, which now stand at Rs. 1,442 lakhs, registering an increase, during the year under review, of Rs. 313 lakhs or about 27.7 per cent. This compares favourably with an expansion of 9.5 per cent in the total liabilities of Indian Scheduled Banks. Advances, comprising mostly bills purchased and discounted, showed a rise of Rs. 353 lakhs over 1954 and investments increased to Rs. 484 lakhs, an increase of Rs. 75 lakhs. Gross earnings of the Bank went up from Rs. 69 lakhs in the previous year to around Rs. 85 lakhs in the year under report, an increase of over 23 per cent. The net profit was higher at Rs. 16.55 lakhs (subject to income-tax) as against Rs. 13.35 lakhs during 1954. This was in spite of increase in expenditure under all heads, particularly under emoluments to the staff.

Interest and Discount earned for the Bank about Rs. 46 lakhs, while Commission, Exchange and Brokerage earned a little under Rs. 39 lakhs. Interest paid by the Bank on Deposits, Borrowings, etc., amounted to nearly Rs. 21.81 lakhs, salaries, allowances, etc., accounted for Rs. 32.13 lakhs and Depreciation a little over Rs. 2 lakhs. Other major items of expenditure were rent, taxes, etc., accounting for Rs. 4.48 lakhs and Other Expenditure amounting to around Rs. 3.64 lakhs. Provision for taxation amounts to Rs. 7.5 lakhs and Rs. 4 lakhs have been transferred to Reserve Fund. In view of the all-round improved working of the Bank during the year, the Director have raised the percentage of dividend by 1½ from 6 for the past four years to 7½ for the year under review. This absorbs Rs. 3,68,265. After taking into account Rs. 2.16 brought forward from the previous year, and after allowing for all appropriations, there remains a balance of Rs. 2,28,299 which has been carried forward.

THE CENTRAL BANK OF INDIA, LTD.

The working of the Bank for the year 1955 has resulted in a profit of about Rs. 77.76 lakhs (subject to tax) in a gross earning of Rs. 5.70 crores. This year's profit is a little less than Rs. 77.88 crores for 1954 when the gross earning was comparatively low at Rs. 5.41 crores. The profit, together with Rs. 17.89 lakhs brought forward from the previous year's accounts, makes available Rs. 95.65 crores for disposal. An ad-interim dividend of 6 per cent, income-tax free, or Rs. 1-8 per share, on 12,58,170 shares, was paid for the half-year ended June 1955 which absorbed Rs. 18.87

lakhs. An amount of Rs. 15 lakhs has been transferred to the Bank's Investments, Rs. 5.5 lakhs have been provided for taxation and an equal amount has been set aside for staff gratuity fund. The Bonus has been provided at Rs. 13.5 lakhs, leaving a balance of about Rs. 37.27 lakhs. A final dividend also at 6 per cent for the half-year ended December 1955 absorbs the equivalent of the ad-interim dividend, i.e., Rs. 18.87 lakhs and the balance of Rs. 18.40 lakhs is to be carried forward.

Of the major items of income, Interest and Discount has earned over Rs. 4.52 crores against Rs. 4.43 crores during the previous year. Commission, Exchange and Brokerage accounts for Rs. 93.59 lakhs against Rs. 85 lakhs of the previous year. Net profit on sale of Investments has trebled from Rs. 5 lakhs in 1954 to Rs. 15 lakhs during the year under review. The earnings of rent on the Bank's premises also register an increase from Rs. 4.97 lakhs of 1954 to Rs. 5.36 lakhs for 1955. On the Expenditure side, interest paid on Deposits, etc., is a little higher at around Rs. 1.70 crores as compared to Rs. 1.65 crores for 1954. Salaries, allowances and provident fund also have increased from Rs. 2.37 crores in 1954 to Rs. 2.61 crores during the year under report. Rent, taxes, etc., have absorbed Rs. 24.14 lakhs, nearly Rs. 4 lakhs less than during 1954, while stationery, printing, etc., have taken away about Rs. 14 lakhs, which registers a marginal increase over the figure of Rs. 13.72 lakhs for 1954.

THE UNION BANK OF INDIA, LTD.

In a gross income of Rs. 40.53 lakhs as against Rs. 31 lakhs for the previous year, the profit of the Bank for 1955 at Rs. 9.45 lakhs has registered an increase of a little less than 40 per cent over that for 1954 when it was around Rs. 6.76 lakhs, reflecting a satisfactory working of the Bank during the year 1955. Adding to the profit Rs. 1.76 lakhs brought forward from the previous year, the amount totals Rs. 11.21 lakhs out of which Rs. 2 lakhs go to the Reserve Fund account. An amount of Rs. 50 thousand is transferred to Contingency Account while the amount written off premises is Rs. 75 thousand. For taxation has been provided Rs. 1.75 lakhs and for Bonus to Staff Rs. 1.25 lakhs. Of the balance of Rs. 4.96 lakhs, Rs. 3 lakhs are paid as dividend (free of income-tax) on 8 lakh shares at 6 annas per share which is equal to 7½ per cent per annum. The balance of Rs. 1.96 lakhs is to be carried forward to the next account.

As against the figure of Rs. 26.74 lakhs earned as discount and interest during 1954, the Bank's income from these sources for 1955 amounts to Rs. 31.52 lakhs. The income from Commission, Exchange and Brokerage has shot up from Rs. 1.97 lakhs in 1954 to Rs. 5.21 lakhs during 1955. Sale of Investments also has earned a net profit of Rs. 1.33 lakhs which is more than double of Rs. 64 thousand earned during the previous year. Rents on buildings also register a 50 per cent increase over the previous year. Among the major items of Expenditure, where there is all round increase, interest paid on deposits is a little over Rs. 14 lakhs against over Rs. 12 lakhs in 1954. Salaries, allowances, etc., absorb Rs. 10.34 lakhs against only Rs. 7.96 lakhs in the previous year. Rent, taxes, etc. are high at Rs. 2.25 lakhs against Rs. 1.35 lakhs for 1954, and stationery, printing, etc., absorb Rs. 1.74 lakhs against Rs. 1.24 lakhs in the previous year.

COMMODITY NEWS AND NOTES

CONSUMPTION AND PRODUCTION OF RUBBER

According to Mr. Cecil Stack, Chairman of the Association of Rubber Manufacturers in India, rubber consumption in 1955 at 27,543 tons was 8% higher as compared to 1954. Production in South India was 22,481 tons (988 tons more than in the previous year). The deficit was largely made good by imports which totalled 3,839 tons for the whole year. The estimated deficit is likely to be more than 8,000 tons as compared with 4,948 tons last year. The newly constituted Rubber Board have drawn up plans to replant 70,000 acres of rubber in South India, but increased production is not likely to become available until 1963.

As railways alone will be unable to provide sufficient transport to meet the growing requirements under the second Plan there is a case for building up additional capacity for the production of automobile tyres and tubes to 1.44 million each by 1960-61 and a production of 9.7 million and 10.4 million cycle tyres and tubes by 1960 (as against consumption in 1954 of 5.436 million and 5.577 million respectively). Moreover, motor vehicle is expected to increase from the 1955 figure of 23,000 units to 57,000 by 1960—an increase of nearly 150 per cent and production of bicycles from 500,000 in 1955 to 1,000,000 by 1960.

CEMENT IMPORTS

Controversy is rife again whether to have liberal cement imports or not. Trade organisations have been pleading for a review of the Import Policy of the Government of India; their main argument being that as the price of the imported cement is higher by about Rs. 40 per ton, the indigenous industry will not be affected by liberal imports. Besides this, the assessment is that India needs 9 to 10 million tons of cement annually at least to meet its requirements, whereas the present production capacity is only five million tons. In the month of March the Government of India permitted cement imports of about 400,000 tons only and reduced the duty to Rs. 5 per ton which is the same as the excise on the commodity.

SUGAR PRODUCTION

Sugar production in India during March this year was 3,32,226 tons, bringing the total production during the first five months of the current sugar season to 14,05,275 tons, against 12,90,000 tons during the corresponding period last year. It is further reported that during the current season, 142 factories were working as against 132 factories last season. The off-take of sugar from the factories during the month of March was about 89,000 tons against 99,290 tons during the corresponding period last year. The total off-take from factories during the first five months of the current season was about 7,04,000 tons as against 3,74,600 tons of the previous season. The closing stock of indigenous sugar with the factories on March 31, was about 11,27,000 tons, against 9,84,000 tons during the corresponding period last season.

GOLD PRODUCTION IN INDIA

It is reported that India produced 2,39,168 ounces of gold during 1954. Of this quantity, 2,20,522 ounces were produced from the Mysore gold fields alone. The only other working mine—the Hutti Gold Field in Hyderabad—produced only 18,646 ounces during the period. Gold-bearing veins are also known to exist in Dharwar district of Bombay, Mynaad and Anantapur districts of Madras and Loma in the Manbhum district of Bihar. Alluvial gold is found widely distributed in many parts of the country—Assam, Bihar, Orisa, Madhya Pradesh, Punjab, Uttar Pradesh, Kashmir and West Bengal.

TURMERIC FUTURES CENTRE AT SANGLI

A forward contracts centre for turmeric, the only one of its kind in the country, has been opened at Sangli. Merchants from different parts of the country, including those from Bombay, Madras, Kolhapur, and Nipani, attended the inaugural function which was held at the buildings of the Spices and Oilseeds Exchange Ltd., Sangli. The centre is likely to be made permanent after the experience gained from the three years' period granted to it.

PAKISTAN TEA ESTIMATES

Pakistan's final estimate of the area under tea crop for the year 1955-56 is 76,500 acres as against 74,000 acres reported in the first and final estimate of the previous year, and shows an increase of 3.4 per cent according to figures released by the Pakistan Government. The release added, the final estimate of the yield under this crop for the year 1955-56 is 52.5 million lb. as against 54 million lb. reported in the corresponding period of the previous year, and shows a decrease of 2.8 per cent which is attributed to unfavourable weather conditions throughout the plucking season.

SECOND ESTIMATE OF LINSEED

According to the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture, the all-India second estimate of linseed for 1955-56 puts the current year's area at 2,560,000 acres, as against the adjusted second estimate of 2,478,000 acres for 1954-55. This shows an increase of 82,000 acres or 3.3 per cent, in area over last year. The increase in acreage under linseed during the current year has been shared mostly by Madhya Pradesh and Hyderabad and has been attributed to favourable climatic conditions at the sowing time. This increase has, however, been offset to some extent by decreases reported mainly by Bihar. The information given in this estimate relates generally to the period up to the end of February 1956.

SECOND ESTIMATE OF RAPE AND MUSTARD

According to the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture, the all-India second estimate of rape and mustard for 1955-56 puts the current year's area at 2,386,000 acres, as against the adjusted second estimate of 2,228,000 acres for 1954-55. This shows an increase of 160,000 acres or 7.2 per cent in area over last year. The increase in acreage under rape and mustard during the current year has been shared mainly by Punjab, Rajasthan and PEPSU and is due generally to favourable climatic conditions at the sowing time. A slight decrease in area has, however, occurred in U.P. and Assam.

THE EASTERN ECONOMIST
(Subscription Rates)

	Payable in advance	
	India	Foreign
Annual	Rs. 50	Rs. 66
Half-yearly .. .	Rs. 25	Rs. 33

Copies delivered by air in Bombay, Calcutta and Madras at an extra cost of Rs. 9/- per year.

Foreign air rates on application. Offices in New York, London and Tokyo.

The Manager,
THE EASTERN ECONOMIST LTD.,
52, Queensway
NEW DELHI

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

Wholesale Prices (General Purposes Index)† Year Ended August 1939=100							Security Prices †† (1949-50=100)			
	Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48 ..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49 ..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50 ..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51 ..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52 ..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53 ..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54 ..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.6
1954-55 ..	339.8	436.2	350.3	377.3	612.4	377.4	90.5	100.7	88.4	113.0
June 1955 ..	281.8*	390.4	329.7*	370.0	567.4*	342.5*	90.8	100.6	87.5	113.2
July ..	309.7*	408.1*	329.6	370.9*	562.6*	355.6*	90.9	100.7	87.8	117.9
August ..	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.2	122.8
September ..	313.0	396.1	324.8*	368.8	556.3	353.2	90.9	100.7	87.2	124.5
October ..	315.7	403.7*	329.8	371.2	559.3	357.2*	91.0	100.7	87.2	129.9
November ..	326.5	418.9*	338.1	373.3	543.3*	365.0*	91.0	101.0	87.7	130.6
December ..	323.7*	438.3	346.6	373.0	544.2	368.4	91.0	101.0	87.3	125.7
January 1956 ..	333.4*	454.2*	353.5*	375.2	540.0*	376.0*	91.0	101.0	87.3	125.7
February ..	335.3	464.6*	355.8	375.3*	529.1	378.4*	91.3	101.1	86.7	121.0
March ..	351.6	475.6	369.3	374.8	508.1	387.3	90.9	101.1	85.8	122.0
Week Ending 17-3-1956 ..	354.0	474.6	369.5	375.3	512.9	388.3	90.9	101.1	85.9	122.4
24-3-1956 ..	362.9	484.6*	374.8	373.9*	494.3	392.8	90.9	101.1	85.8	123.6
27-3-1956 ..	358.8	477.9*	375.0	373.4	494.1	390.2	90.9	101.1	85.7	124.6
7-4-1956 ..	364.9	472.9	373.8	375.8	495.5	392.2	90.9	100.9	85.7	124.4
14-4-1956 ..	360.9	471.0	375.0	375.9	496.0	390.6	90.9	100.9	85.6	123.0

* Average of weeks.

† Revised

†† Reserve Bank Series.

† Economic Adviser's Series.

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS
(August 1939=100)

Period	Bombay		Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936 = 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	309	168	136	136
1949	292	307	248	132	348	478	377	323	164	138	138
1950	298	313	257	132	349	434	372	325	165	145	138
1951	314	330	261	142	370	451	391	334	167	160	144
1952	321	337	250	143	351	441	380	330	151	154	141
1953	346	363	275	140	349	453	387	351	147	156	145
1954	342	359	244	138	327	408	373	341	148	140	139
1955	322	338	218	130	323	371	364	321	134	135	132
1955 June	317	333	211	123	317	347	359	311	131	129	130
July	324	340	224	129	325	371	364	316	134	134	132
August	325	341	229	134	329	375	367	318	136	138	134
September	317	333	224	133	327	373	367	322	138	137	132
October	315	331	225	134	334	385	369	323	139	139	134
November	314	330	229	136	339	392	369	327	144	141	135
December	316	332	230	140	329	393	375	334	148	141	135
1956 January	318	334	224	139	—	404	—	334	—	—	—
February	321	337	226	137	—	394	—	—	—	—	—
March	334	350	230	—	—	398	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	28-4-1956			21-4-1956			14-4-1956			7-4-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	107- 0	105-10	106- 5	106- 1	105- 3	105- 8	106- 4	104- 5	105- 6	105- 8	103- 2	104- 1
Silver (per 100 fine tolas)	182-11	180- 5	181- 9	181- 6	177- 6	180- 1	181- 3	178-10	179-14	181-13	177- 9	179- 4

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b + c)	(b + c) as Percentage of (a)	Rupce Coin	Rupce Securities	Total Assets
1938-39*	182,36	28,28	210,64	44,42	66,95	111,37	52.91	67,11	32,16	210,64
1947-48*	1,227,82	47,12	1,274,95	44,42	1,135,32	1,179,74	92.63	32,36	62,84	1,242,10
1948-49*	1,231,84	22,02	1,253,86	42,49	907,47	949,96	75.43	42,96	265,62	1,215,58
	(5,58)	(—)	(5,58)					(90)		(5,58)
1949-50*	1,128,94	24,00	1,152,94	40,02	647,04	687,06	59.59	50,53	415,36	1,152,94
1950-51*	1,163,21	17,19	1,180,40	40,02	624,70	664,72	56.31	57,21	458,47	1,180,40
1951-52*	1,189,84	27,78	1,217,62	40,02	625,27	665,29	54.64	63,98	488,36	1,217,62
1952-53*	1,114,84	27,87	1,142,72	40,02	564,40	604,42	52.89	80,22	458,08	1,142,72
1953-54*	1,133,95	23,03	1,156,97	40,02	594,02	634,04	54.80	92,83	430,11	1,156,97
1954-55*	1,197,05	22,98	1,219,17	40,02	648,90	688,92	56.47	102,25	428,61	1,360,17
Average of Fridays										
August 1955	1,299,00	26,50	1,325,50	40,02	633,29	673,31	50.79	108,24	543,69	1,325,50
September "	1,290,78	23,49	1,314,27	40,02	668,82	708,84	53.93	110,51	494,93	1,314,27
October "	1,303,25	10,97	1,314,22	40,02	632,07	672,09	51.09	110,95	531,18	1,314,22
November "	1,327,06	14,27	1,341,33	40,02	642,08	682,10	50.85	109,38	540,84	1,341,32
December "	1,350,04	10,13	1,360,17	40,02	662,98	703,00	50.95	108,66	548,61	1,360,17
January 1956	1,384,06	16,67	1,400,73	40,02	679,49	719,51	51.37	108,52	574,69	1,400,73
February "	1,402,42	9,14	1,411,56	40,02	663,40	703,42	49.83	104,90	603,24	1,411,56
March "	1,446,41	11,13	1,457,54	40,02	676,87	716,89	49.20	103,18	637,47	1,457,54
Week Ending										
23-3-1956 ..	1,453,78	9,84	1,463,62	40,02	676,29	716,31	48.94	103,28	644,04	1,463,62
30-3-1956 ..	1,466,64	11,77	1,478,41	40,02	686,42	726,44	47.11	103,16	678,82	1,478,41
6-4-1956 ..	1,506,69	14,78	1,521,47	40,02	686,42	726,44	47.75	106,28	688,75	1,521,47
13-4-1956 ..	1,515,98	10,05	1,526,03	40,02	681,45	721,47	47.28	105,87	698,60	1,526,03
20-4-1956 ..	1,509,65	16,67	1,526,32	40,02	681,45	721,47	45.27	106,16	698,60	1,526,32

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					TOTAL LIABILITIES & ASSETS*	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total								
1938-39*	14,90	..	16,19	75	31,84	43,12	28,38	1,53	4,21	1,72	2	6,36	90
1947-48*	366,79	16,93	102,47	34,21	520,40	544,96	47,24	2,62	406,95	1,57	21	81,53	4,85
1948-49*	222,17	6,62	80,53	56,52	395,72	419,05	22,12	4,28	307,78	1,71	3,34	75,65	4,14
	(14,33)	(3,04)								(1)			
1949-50*	141,19	23,12	67,00	64,39	295,69	321,45	24,12	4,30	280,91	3,35	8,39	960,54	4,34
1950-51*	148,60	17,71	62,22	62,29	290,82	318,97	17,31	3,04	107,70	2,37	6,77	76,72	5,06
1951-52*	181,39	15,95	58,68	69,22	325,15	353,77	27,92	6,31	187,14	5,90	19,42	95,19	11,91
1952-53*	136,40	7,79	52,89	61,93	259,02	292,71	24,03	6,64	133,56	2,85	19,03	89,77	12,83
1953-54*	105,44	23,40	46,52	57,45	232,80	266,72	23,22	9,46	123,31	1,78	19,84	81,58	7,61
1954-55*	89,13	20,66	55,20	36,29	201,28	234,90	23,24	6,10	87,53	1,14	26,55	80,52	9,82
Average of Fridays													
June 1955	55,64	12,33	50,02	21,89	139,88	194,44	18,10	12,78	63,67	100	28,61	39,55	29,98
July "	76,93	17,83	50,62	19,03	164,40	206,52	29,47	9,53	69,84	88	32,44	58,34	6,02
August "	87,33	20,66	51,35	20,28	179,12	219,74	26,64	9,90	86,25	1,92	25,04	62,18	7,74
September "	60,36	18,28	55,61	16,91	151,06	182,32	23,63	13,68	61,57	1,02	28,64	52,13	11,65
October "	50,15	23,59	61,12	15,97	150,84	180,76	11,10	9,40	72,93	76	20,52	50,24	12,17
November "	54,93	14,81	58,52	15,46	143,57	183,43	14,40	7,37	80,45	2,22	24,17	50,09	12,21
December "	54,13	8,44	57,88	15,97	136,01	181,17	10,25	8,11	63,93	3,97	31,67	50,49	12,76
January 1956	53,56	12,51	59,90	17,49	142,53	193,81	16,82	9,33	56,74	2,82	43,77	51,13	13,21
February "	61,12	13,65	56,38	15,85	147,00	206,59	9,27	3,50	72,81	3,41	53,41	49,71	14,40
March "	57,51	37,22	49,25	16,93	159,51	220,30	11,26	9,53	65,31	1,60	73,88	39,44	17,33
Week Ending													
23-3-1956 ..	52,69	48,52	49,72	17,25	168,18	229,43	9,99	11,19	71,54*	20	81,07	37,42	17,42
30-3-1956 ..	67,34	62,03	53,24	16,68	199,30	258,77	11,92	12,23	89,72*	—	79,94	47,19	17,77
6-4-1956 ..	57,10	35,70	53,42	17,35	163,56	221,68	9,01	13,57	62,09*	1,35	64,82	46,83	18,07
13-4-1956 ..	53,28	32,36	50,95	17,10	153,69	210,03	2,03	10,20	58,73*	1,20	63,07	46,53	18,11
20-4-1956 ..	55,86	25,53	53,33	17,03	151,76	211,05	16,82	13,24	52,71*	1,00	64,47	49,64	18,16

Note: Figures in brackets relate to Pakistan. **Includes Rs. 5 crores each on account of capital paid-up and Reserve Fund. *Average of Fridays.
†Includes cash and short term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5 + 6) as percentage of (4)	Advances	Bills Discounted	(8 + 9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2 + 3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1938-39*	123,81	103,30	227,11	6,38	15,88	9.80	111,34	460	51.05	..
1947-48*	706,65	343,89	1,050,54	39,92	100,81	13.40	427,54	16,82	42.30	..
1948-49*	674,56	303,88	978,44	37,51	76,63	11.67	424,85	16,44	45.10	..
1949-50*	597,79	272,59	870,38	34,47	65,85	11.53	426,74	15,35	50.79	..
1950-51*	599,13	278,45	877,58	34,68	60,78	10.88	447,03	11,87	52.29	303,48
1951-52*	593,73	290,82	884,55	37,33	57,29	10.70	523,59	22,81	63.06	306,34
1952-53*	546,23	309,26	855,49	33,33	51,82	9.95	461,64	38,47	60.48	321,29
1953-54*	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	59.56	339,74
1954-55*	559,62	351,86	911,55	32,66	53,91	9.50	468,39	84,66	62.08	..
Average of Fridays										
September 1955 ..	604,02	413,69	1,017,87	33,22	54,14	8.58	498,19	106,18*	61.15	381,86
October "	612,82	422,95	1,035,77	33,98	59,64	9.04	484,87	105,51*	59.24	390,42
November "	612,61	423,85	1,036,46	35,22	57,05	8.90	491,93	105,00*	59.79	393,43
December "	613,68	422,24	1,035,92	38,93	58,38	9.39	503,02	107,60*	61.04	390,56
January 1956 ..	638,02	411,70	1,049,72	36,96	56,92	8.94	533,75	130,85*	64.21	382,55
February "	631,25	415,19	1,046,45	35,18	54,67	8.59	551,12	138,15*	66.56	378,04
March "	622,44	415,29	1,037,72	34,83	48,43	8.10	589,55	144,16*	71.41	364,86
Week Ending										
23-3-1956 ..	625,20	412,92	1,038,12	34,63	46,42	7.81	601,89	147,84*	72.63	362,13
30-3-1956 ..	635,99	414,32	1,050,31	35,57	49,12	8.06	612,43	148,37*	73.05	360,07
6-4-1956 ..	651,20	418,56	1,069,76	38,29	54,77	8.70	607,04	149,75*	71.29	359,55
13-4-1956 ..	650,87	423,56	1,074,43	37,20	49,53	8.07	606,11	148,69*	71.05	356,37
20-4-1956 ..	648,31	427,77	1,076,07	37,89	50,87	8.25	601,24	151,41*	70.71	355,58

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY IN INDIA

(Lakhs of rupees.)

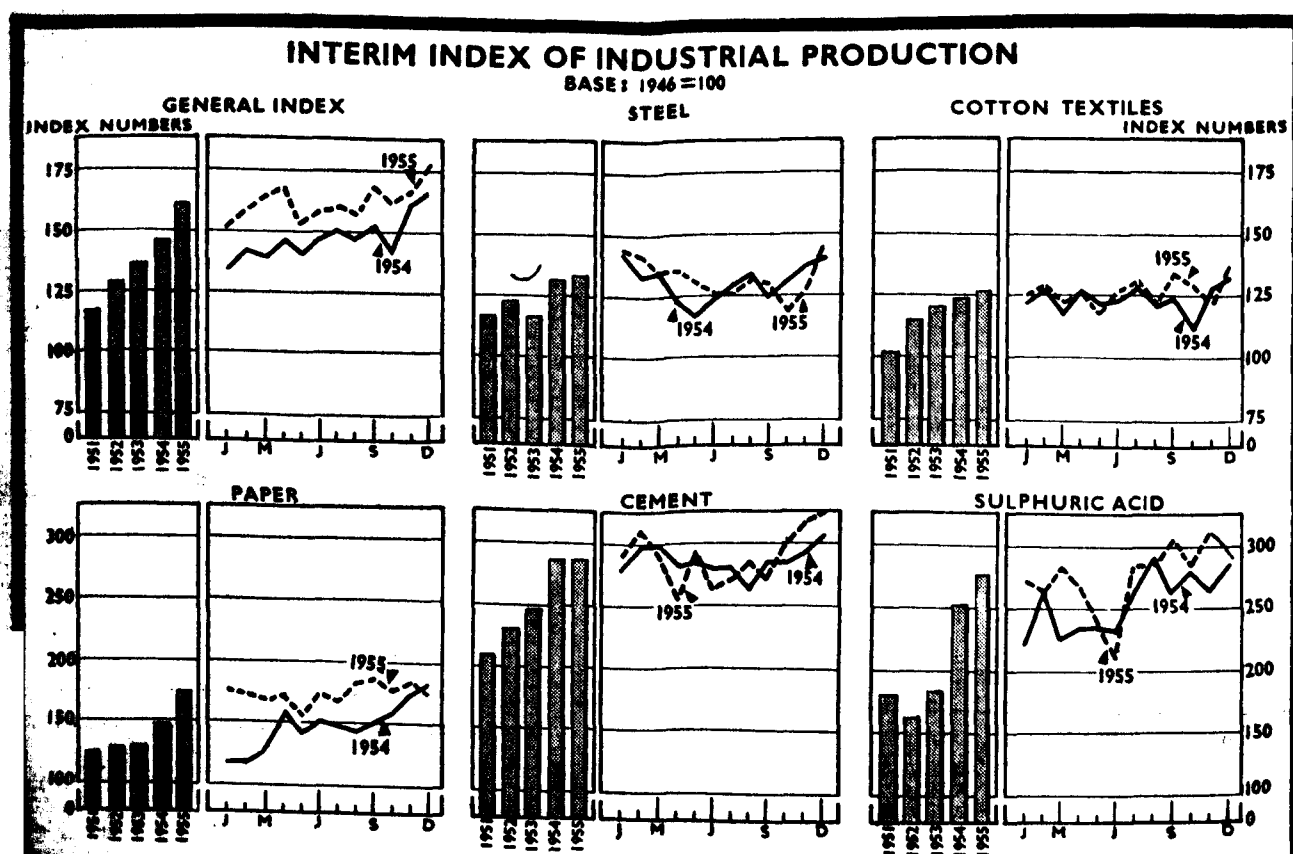
Last Friday	Money supply	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabilities of banks	Total deposits with Reserve Bank (excluding those of central Govt. & Banks)	
(1)	(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1952-53 ..	1,784,55	1,199,25	585,30	548,95	36,35	-44,20
1953-54 ..	1,856,57	1,229,43	627,14	549,83	77,30	+72,02
1954-55 ..	1,980,90	1,311,77	669,13	599,18	69,97	+124,33
January 1955 ..	1,877,73	1,245,91	631,82	601,04	30,78	+28,84
February ..	1,915,34	1,272,35	643,00	610,04	32,96	+37,61
March ..	1,980,90	1,311,77	669,13	599,16	69,97	+65,56
April ..	2,003,14	1,342,90	660,23	614,26	45,98	+22,24
May ..	1,989,50	1,348,41	641,09	616,96	24,12	-13,64
June ..	1,988,42	1,343,74	644,67	623,43	21,24	-108
July ..	1,974,91	1,343,74	650,11	619,53	30,58	-13,51
August ..	1,995,61	1,343,74	654,71	632,36	22,35	-30,31
September ..	1,985,40	1,309,69	677,08	635,72	41,35	+43,67
October ..	2,008,47	1,331,40	663,64	640,40	23,24	+6,41
November ..	2,014,88	1,351,24	671,83*	650,07*	21,77	+44,49*
December ..	2,059,37*	1,387,54*				
January 1956 ..	2,113,47*	1,407,83*	707,65*	674,74*	30,90	+54,19*
February ..	2,125,39*	1,435,67*	689,72*	662,29*	27,43	+11,95*

THE INTERIM INDEX OF INDUSTRIAL PRODUCTION

(Base: 1946=100)

Period	General Index	Cotton Textiles			Jute	Coal	Sugar	Paints and Varnishes	Cement	Paper	Matches	Sulphuric Acid	Steel Ingots and metal for castings	Diesel Engines
		Total	Yarn	Cloth										
1947	97.2	95.8	94.8	96.2	96.6	103.9	97.6	100.5	93.9	87.8	113.0	100.0	97.1	144.8
1948	108.4	109.0	105.9	110.5	100.2	103.2	116.5	93.0	100.7	92.4	129.4	133.3	97.1	216.7
1949	105.7	99.7	99.4	99.9	84.8	108.9	108.5	80.5	136.3	97.4	127.8	165.8	104.6	438.9
1950	105.0	91.1	85.9	93.8	76.8	110.8	105.8	72.8	169.5	102.7	127.0	170.8	111.2	971.7
1951	117.2	101.3	95.4	104.3	80.4	118.8	120.8	87.2	207.2	124.4	140.3	178.2	116.0	1,631.9
1952	128.9	113.8	106.0	117.7	87.4	125.4	161.9	83.8	229.3	129.7	159.1	160.1	122.0	897.9
1953	135.3	119.9	110.1	124.8	79.8	124.1	139.9	83.5	245.1	131.8	150.0	181.8	116.5	785.6
1954	146.6	123.3	114.2	127.9	85.2	127.3	109.2	95.9	285.1	146.5	128.4	251.5	130.2	1,829.6
1955	161.1	126.7	119.5	130.0	94.3	132.3	172.8	93.2	285.6	174.4	146.8	275.1	131.8	2,123.3
December 1953	144.7	122.9	116.5	126.1	84.0	128.9	127.0	85.1	282.2	122.1	134.4	212.3	134.4	1,737.5
January 1954	133.2	121.7	113.4	125.8	72.7	118.3	105.9	97.5	276.9	114.7	130.4	218.4	140.3	1,672.1
February	141.6	127.1	116.4	132.5	81.7	137.8	100.2	83.0	297.3	115.6	130.4	260.6	133.9	1,617.2
March	138.1	117.2	107.9	121.9	81.6	125.1	97.7	95.5	296.9	127.4	130.7	225.8	134.2	1,807.9
April	145.6	126.2	114.9	131.9	83.7	127.9	127.2	95.4	283.7	158.3	114.3	232.7	121.0	1,766.8
May	140.3	121.7	110.6	127.2	77.0	121.3	43.3	102.4	285.0	141.0	125.5	234.4	116.2	1,664.6
June	146.0	123.9	113.4	129.2	83.3	121.5	..	94.7	278.0	150.3	100.7	231.4	123.1	2,008.5
July	150.5	127.2	116.8	132.3	87.2	120.8	..	95.1	278.6	148.2	127.5	261.8	128.6	1,770.2
August	147.4	120.2	113.1	123.7	84.5	120.5	..	85.1	261.4	142.1	136.4	290.8	133.2	1,669.0
September	152.5	123.7	115.8	127.6	88.2	133.5	293.8	96.8	285.1	149.1	139.4	262.5	125.1	1,865.6
October	141.6	111.4	105.5	114.4	81.1	119.0	165.1	89.1	284.1	155.2	125.2	276.1	130.3	1,609.3
November	160.9	127.7	120.0	131.5	98.9	139.9	361.3	108.0	290.6	172.5	141.8	262.6	136.9	2,276.1
December	165.8	131.6	122.3	136.3	101.5	142.7	154.8	104.6	303.8	181.6	143.2	281.4	139.0	2,635.2
January 1955	150.9	124.4	114.0	129.6	90.6	128.5	116.0	104.6	287.6	175.4	145.8	270.0	143.2	2,230.3
February	158.7	128.0	118.3	132.9	97.8	146.6	127.0	102.0	307.3	173.2	162.1	263.2	139.3	2,079.6
March	163.2	122.9	114.4	127.1	96.0	134.6	193.3	90.6	290.2	167.8	146.4	281.4	135.6	2,208.2
April	167.2	125.8	116.5	130.4	95.6	136.1	583.5	82.8	239.5	172.9	151.6	267.1	135.9	2,299.5
May	153.6	118.7	111.4	122.4	88.2	129.4	1,400.0	83.0	286.5	154.8	143.5	236.0	130.1	2,220.3
June	157.3	125.8	117.7	129.1	95.6	129.5	1,263.6	97.1	269.8	174.7	148.0	224.2	125.1	1,811.0
July	159.3	130.8	124.0	134.3	90.8	120.4	..	98.4	266.5	167.6	140.1	289.6	125.1	1,840.6
August	156.1	122.6	118.0	125.0	87.9	127.1	..	103.7	285.2	182.0	157.5	285.9	129.9	2,064.4
September	166.7	132.6	127.2	135.3	97.5	142.2	543.8	91.9	268.0	186.3	142.1	305.1	127.7	2,024.1
October	161.6	129.3	124.8	131.6	85.1	125.7	255.8	110.2	298.0	176.5	139.8	284.9	118.9	2,308.3
November	165.2	123.1	119.2	125.1	101.0	130.4	311.0	114.9	313.2	183.8	140.9	309.5	125.7	2,278.7
December	176.5	136.9	130.0	140.3	105.1	138.0	173.1	83.0	323.1	177.2	146.4	281.8	143.8	2,370.6
January 1956	..	..	..	..	96.0	130.2	123.6	91.9	307.3	..	..	..	..	..

*Estimated



EARNINGS OF FACTORY LABOUR IN INDIA

(Annual Average Rupees)

Industry	1939	1940	1941	1943	1944	1945	1946*	1947	1948	1949
Cotton	320	325	344	684	772	723	722	909	1,094	1,193
Jute	231	266	256	356	363	891	425	498	538	795
Engineering	264	345	372	529	590	653	696	699	879	938
Minerals and Metals	457	492	476	502	574	602	600	886	926	1,012
Chemicals and Dyes	245	230	238	398	485	445	492	593	664	722
Paper and Printing	333	360	325	414	474	569	638	729	836	912
Wood, Stone and Glass	194	175	199	303	368	414	434	495	572	616
Skins and Hides	286	327	338	411	532	537	558	604	841	889
Ordnance Factories	362	409	429	527	547	643	721	755	918	1,129
Mints	367	463	491	574	695	667	859	1,071	1,378	1,437
Miscellaneous	281	261	261	392	514	503	612	663	797	877
All Industries	288	308	325	525	567	596	619	737	883	986

Industry	1950	1951	1952	1953	1954	Industry	1950	1951	1952	1953	1954
Textiles ..	971	1,044	1,122	1,116	1,090	Non-metallic Mineral Products	729	699	696	824	741
Footwear, Other wearings etc. ..	851	989	1,123	1,073	1,107	Basic Metal Industries ..	1,176	1,368	1,533	1,711	1,613
Wood and Cork except Furniture ..	603	654	667	761	746	Manufacture of Metal Products	799	917	991	946	1,025
Furniture and Fixtures ..	668	940	834	396	970	Machinery (Except Electrical Machinery) ..	1,001	999	1,030	1,031	1,118
Paper and Paper Products	910	960	1,019	999	948	Electrical Machinery Apparatus	1,196	1,238	1,296	1,331	1,275
Printing, Publishing and and Allied Industries ..	962	1,053	1,156	1,123	1,214	Transport and Transport Equipment ..	1,052	1,171	1,671	1,186	1,392
Leather and Leather Products ..	641	752	719	923	815	Miscellaneous Industries ..	1,015	1,067	885	1,112	1,162
Rubber and Rubber Products ..	1,165	1,325	1,340	1,432	1,336	Electricity, Gas and Steam	1,199	1,229	1,300	1,396	1,329
Chemicals and Chemical Products ..	871	869	974	1,036	1,021	Water and Sanitary Service	952	908	973	914	1,046
Products of Petroleum and Coal	1,047	1,132	1,157	1,407	1,340	Recreation Services ..	980	969	969	920	946
						Personal Services ..	799	853	328	338	374

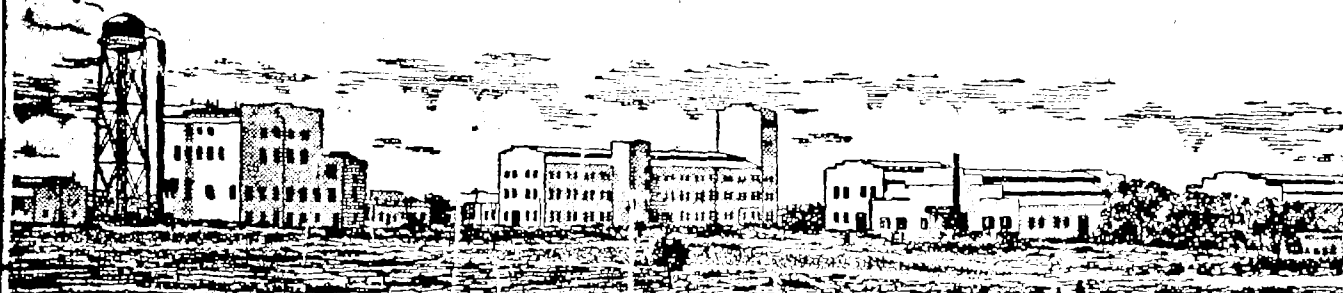
Note: From 1950, International classification has been adopted.

Source: Ministry of Labour.

Printed and Published by Devi Prasad Sharma at the Hindustan Times Press, for "The Eastern Economist" Ltd., 52, Queensway, New Delhi. Editor—E. P. W. da Costa, M.A. (Oxon.)

ATUL

DYES CHEMICALS PHARMACEUTICALS



THE ATUL PRODUCTS LIMITED
ATUL, via BULSAR, Western Railway

The Eastern Economist

VOL. XXVI. NO. 19.

NEW DELHI: MAY 11, 1956.

ONE RUPEE

CONTENTS

	Page		Page
Leading Articles:		Special Articles:	
HEADS I WIN, TAILS YOU LOSE ..	729	THE ECONOMICS OF POWER ..	747
THE RABBIT FROM THE HAT ..	730	GROWTH OF CO-OPERATIVE FARM- ING IN POLAND-I ..	748
MANPOWER FOR THE PUBLIC SECTOR ..	732	ECONOMIC REPORT FROM THE US:	
THE WEEK'S NOTES ..	735	Cotton Export Programme ..	750
The Succession Bill; States Bill Put Off; Indo-Pakistan Talks; World Bank Loans to Burma; New Look for Western Policy; Frank-Speaking by Mr. Gaitskell.		The Business World:	
		Compensation for Life Insurance ..	751
		An Election Outlook ..	752
A WINDOW ON THE WORLD:		BUSINESS NOTES ..	753
Odysseus on "Re-thinking Out Socialist Fundamentals" ..	739	Amending the Reserve Bank Act; Export Levies on Edible Oils; Bombay Finan- cial Corporation; Engineering Indus- tries and Government Purchase; New Peaks for Punjab National Bank.	
GERMANY IN THE MIDDLE EAST ..	741	COMPANY AFFAIRS ..	757
WORLDGRAM AND NEWS IN BRIEF ..	743	COMMODITY NEWS AND NOTES ..	758
		CURRENT STATISTICS ..	763

Heads I Win, Tails You Lose

THE Eighth Session of the Indian National Trade Union Congress held at Surat this week was significant for a number of imposing resolutions. Designed, it seems, for the widest political effect. Those related to real wages—the appointment of Wage Boards for major industries and a Pay Commission for the public sector is important in this respect—the removal of large disparities in earnings and, of course, the new exciting subject of workers' participation in management, on each or all of which long essays can be written. So, indeed, one could write a treatise on the morality of for-bidding strikes and lockouts for the duration of the Plan. To the extent that this curtails freedom in a democratic society one can assail it on political as well as on moral grounds. But these are in truth incidentals. If production is the supreme task of the Indian Union in the next five years—and the alternative to production is increasingly seen as inflation—some restraints on all members of Indian society are inevitable. It is quite inappropriate to quarrel about minor restraints of this kind while the large issue of production in the next five years is unresolved.

There should, therefore, be no petty criticisms of the proceedings of the Surat Conference. What is important is that there should emerge from all conferences of sectional interests in this country a broad pattern which is consistent with the second Five-Year Plan and its targets. The errors that Trade Unionists make—and for this purpose Mr. Khandubhai Desai and Mr. Gulzarilal Nanda are nothing but Trade Unionists—is that, when they perform at Trade Union Conferences, labour leaders forget that they have obligations no less than those of employers to take a national, and not a sectional, view of issues like wage policy and employment. It is all very well to talk about the need for higher wages to those in existing employment. But surely Mr. Khandubhai Desai and Mr. Gulzarilal Nanda in particular must recognise that these higher wages can, under present circumstances, whether in the public or private sector, only be bought at the cost of additional unemployment.

If the Government of India had made up its mind that organised unemployment is a secondary matter, and that a higher standard of living

for those in organised employment is the paramount aim of wage policy, no quarrel could arise in regard to the pronouncements of the Ministers of the Central Government. But both the Labour Minister and the Planning Minister are known to be employment addicts, and to favour the Ambar Charkha, the new symbol of the paramount character of India's unemployment problem. If Mr. Nanda, for example, was really in earnest about the raising of organised real wages, he should logically be really in earnest about the raising of productivity; to the extent that he is logically in earnest in raising productivity, he should be logically at least in favour of rationalisation. In point of fact Mr. Gulzarilal Nanda is the most violent opponent in the Central Government of rationalisation and, indeed, he has committed himself in a quite extreme degree to the Ambar Charkha, which is the main enemy of textile rationalisation. Thus he contrives, a little uneasily, to ride both horses at once. To the Trade Unionists in solemn conference he offers higher wages and thereby more restricted employment. To the unemployed he offers a pittance, and a wage policy which prevents the raising of the unemployed in our villages into the privileged ranks of organised industrial workers. The poor are thus kept in their proper stations, as if by an enlightened act of Providence; and Mr. Nanda really looks like the friend and saviour of the employed and unemployed alike. By restrictionism, real organised wages are kept high and it is conveniently forgotten that, by this very act, unorganised wages are kept desperately low.

This differentiation in attitude to the privileged employed and the unhappy unemployed represents a powerful confusion in Congress philosophy which is still to be resolved. So far as the true Gandhian message was concerned, there was no confusion, although latent confusion was resolved only by abandoning economic progress. At the present time, however, the neo-Gandhians—with Mr. Gulzarilal Nanda at their head—wish to have things both ways. They want higher productivity and higher wages for the selected few, but to restrict the instruments of higher productivity in order to perpetuate a larger degree of employment at a pitifully small wage for the many. In their heart of hearts, they recognise the inconsistency of their economics. This does not worry them unduly; for what makes their action consistent is that it is politically advantageous in both cases.

The Rabbit from the Hat

WEEK before the second Plan is to be placed before the Lok Sabha, its contents in one essential respect—the target for agricultural output—are in a state of flux. In part this uncertainty reflects an unknown quantity in the Plan as a whole—the volume of inflationary finance which the system can take. The last-minute proposal to raise the target of additional food output from 15 to 40 per cent is really a trick to persuade ourselves that inflation need be no danger at all. In this sense, though perhaps in no other, Mr. K. C. Neogy was reflecting a general malaise; why otherwise should this sudden jump in agricultural target be presented at the same time as his note? The Deputy Chair-

This, and no other, is the central issue of wage policy in the next five years. Politically the Congress Party has to walk this dangerous tight rope, giving satisfaction to organised labour entrenched in strong Trade Unions liberally supported by the Congress Party, and at the same time giving support to an amorphous mass of unemployed who, by mere force of numbers, enjoy a political strength which it is impossible for the Congress Party to ignore. Thus it suits Mr. Khandubhai Desai and Mr. Gulzarilal Nanda to speak with two voices, because in point of fact both voices lead to more votes, and, therefore, to more power for the Congress Party. In the pursuit of popular support, their policy acquires its unified meaning; its callous economic implications for the unemployed are often forgotten because "free enterprise" has no employment policy.

The question that needs now to be asked is whether this course which is obviously politically wise for the leaders of the Congress Party is in the national interest. It cannot be in the national interest if it holds back production for whatever reason; for production at this moment—as was clearly revealed at the meeting of the National Development Council—is our only bulwark against inflation. It is not enough for the Congress Party to return with an enormous political majority with votes captured dutifully by the Trade Unions from their rank and file and by the Ambar Charkhists from the unhappy rural unemployed. Mere political success will not ensure the implementation of the Plan or the avoidance of inflation. It is this dilemma which prevents the comforting speeches of Central Government Ministers from being effective, for they are forging, at the same time as they talk of production and productivity, the instruments which place a brake on production and productivity. It may be politically wise to ride on the support of the employed and the unemployed at the same time offering each a bribe and an inducement which must rebound against the other. To the extent that this dual policy impedes a rise in production, it will, sooner or later, be realised that it is not in the national interest. The pious resolutions passed at Trade Union Congresses do nothing to alter the fact that higher real wages are being offered not at the expense of employers, private or public, but at the expense of the neglected unemployed capable of being absorbed in organised industries, if wages were more flexible. Central Government Ministers should not embark on this dangerous dual game of restricting organised industrial employment; if they do, their bluff should be called.

man of the Planning Commission seems to have been called in as the magician to cover the retreat. He rose superbly to the occasion. The rabbit out of this particular hat may not live for very long. But at any rate, if a retreat is to be made, it was covered by a remarkable feat of sleight of hand at the National Development Council meeting.

It is obvious that adequate thought has not been bestowed on how this higher target is to be achieved or on whether it will be really necessary at all. It is clear that the decision to raise the food target has been to a great extent influenced by recent trends in food prices and Government's realisation that the stocks at its

disposal are not sufficient to check any serious upward trend. But the proposal has to be judged from two points of view—whether a 40 per cent increase will be physically practicable and whether such an increase can be absorbed by the economy. As regards practicability, the N.D.C. seems to have thought with the Deputy Chairman that the higher target can be achieved without any substantial financial outlay beyond the Rs. 100 crores earmarked by the Reserve Bank for the grant of short-term loans to farmers. But the Union Ministry of Food and Agriculture has now expressed the view that it would be too much to expect an increase of this order merely through rationalisation, better techniques or more intensive cultivation, on which the Deputy Chairman appears to place reliance. In its view the utmost that can be obtained with existing funds through reallocation and better organisation is a marginal increase of another 5 per cent.

This estimate cannot be seriously wrong. The Draft Outline had programmed to secure an additional output of 10 million tons of food grains (15.4 per cent) through the following sources: major irrigation 2.4 million tons, minor irrigation 1.8 million tons, manures and fertilizers 2.5 million tons, improved seeds 1.0 million tons, land reclamation and land development 0.8 million tons, and increased use of improved techniques 1.5 million tons. Clearly no new major irrigation schemes are likely to be included in the Plan hereafter and so no addition to food output from hereafter can be expected beyond what is already envisaged. Some marginal increase in minor irrigation facilities appears possible, but the addition to output is bound to be insignificant. The contribution to food production from the use of fertilizers can increase only if the internal fertilizer production programme is expanded or imports are planned for. As it is the industrial programme in the public sector has been stretched to the limit having regard to the scarcity of financial resources. Import of fertilizers will involve the use of valuable foreign exchange and may also be difficult in view of likely competition from other agricultural countries. Increases that can come about through the use of improved seeds and improved techniques and land development cannot certainly rise much above the present estimates for the outlay proposed.

It now remains to consider whether the Reserve Bank's proposal for the distribution of Rs. 100 crores through short-term loans to farmers can bring the new food target within the range of practicability. Even as it is, agricultural operations are not seriously hampered or held up for want of credit facilities. The Reserve Bank's programme will only cheapen credit and probably avoid certain minor difficulties. Moreover, even after this programme comes into operation more than two-thirds of the credit needs of farmers will continue to be met by merchants and money-lenders. It appears, therefore, doubtful whether the proposed increase in the food target will be capable of realisation within the present outlay proposed. And surely the country cannot afford all the additional money which will be required if the target is to be achieved. The proposal that funds can be diverted from protective foods to cereals cannot help much as these other schemes cannot also be completely neglected and the amounts that can be safely diverted will not amount to much. Co-operative farming as is being practised in China may help to some extent, but whether a programme can be drawn up quickly and enforced in a democracy like India to yield immediate

benefits is open to question.

It is clear that while a higher target than was put down in the Draft Outline may be justified, what is now proposed is too high. In the next five years the country's population is expected to go up by just about 5 per cent. The expected increases in per capita food consumption do not also justify a 40 per cent increase. Per capita consumption of cereals is expected to go up to 18.3 oz. from the present 17.2 oz. and any more increase in this is not required. On the other hand consumption of protective foods will continue to be below the desired levels and on this ground too any diversion of funds to cereal production is to be deplored.

The main object of the proposal to raise the food target is to counter any possible inflationary tendencies which deficit financing to the extent of Rs. 1,200 crores may set in motion. Fears that these tendencies may develop have arisen from the fact that deficit financing in the last year is now having its effect in higher food prices. But the present level of food prices is also partly the result of bad and indifferent weather in various parts of India in the last year. While it is good to take precautions against possible contingencies, there seems to be no reason why there should be a repetition of such weather conditions during the second Five-Year Plan, particularly since many new irrigation schemes started during the first Plan are likely to bring benefits in the next two years. The first Plan itself has witnessed a rise in the floor of Indian agricultural production, and these schemes and the new schemes which will be taken up under the second Plan will further raise this level, which will minimise fluctuations in output. A 40 per cent increase in production, therefore, seems to be unnecessary.

It is even likely that such an increase may present the Government with a very serious problem of saving the rural economy from collapse. Since consumption demand cannot go up by 40 per cent, a good part of the additional output will be surplus to needs and can cause a serious fall in prices, probably much more serious than what took place last year, and the Government may find itself forced to undertake a price support programme. But this time it may be unable to operate at the marginal levels as it did last year since the surplus is likely to be considerable. True, the country can dispose of part of the surplus by export. But the feasibility of this step is severely limited by the present world conditions in which rice-exporting nations in particular are already facing difficulties. This position may well worsen in the next few years. Anyway, even if exports are possible, it is unlikely to exceed one million tons annually, whereas the surplus on hand may be ten times that.

It is obvious from these considerations that the proposal to increase food production by 40 per cent in five years is really in the realm of fantasy. It is unfortunate that while a moderate increase by about 10 per cent over the existing target would have been acceptable and appropriate on technical considerations, confusion has been caused by the introduction of a figure which is clearly outside reach, and which will lead to more futile debate at this late hour. The second Plan has now been the subject of discussion for over a year; why should a proposal of this kind have waited for the thirteenth month of discussion? Perhaps because Chop and Change has become one of the Planning Commission's rules of life.

Manpower for the Public Sector

LAST week the Prime Minister announced the Government of India's new Industrial Policy in Parliament proclaiming a larger place for the public sector in Indian industrialisation. Logically enough, the Ministry of Home Affairs has followed swiftly with the rules governing special recruitment to the Indian Administrative Service. The Ministry of Defence has also been drawn into the limelight by the statement by Mr. Mahavir Tyagi last Tuesday in which he indicated that retired officers in the Indian Army would, by arrangement with the Planning Commission, be available for National Plan work. There is no doubt that until the present time there has been confusion on all three issues, recruitment for the Government of India, direct recruitment to the Indian Administrative Service, and the whole question of premature retirement of Defence officers. It is time that these matters were considered in one piece. The present is obviously a suitable opportunity for this consideration which, unhappily, is still far from the Government of India's mind. There is no indication anywhere that an integrated policy of recruitment and utilisation of manpower has been accepted as a central element in the discharge of the numerous responsibilities which the Government of India chooses to take upon itself.

There have been some complaints about the rules for emergency recruits which the Home Ministry set out last week-end. These complaints should be examined though they do not contain the kernel of the problem, which is shortage in quality of applicants for high posts, however recruited. There is certainly, however, something a little too summary in what the Home Ministry is now doing. It is true that what is described as a "special" examination in two papers, English Essay and General Knowledge, is meant only as a screening device. Screening is essential as the Union Public Service Commission is crushed by a volume of work which may, perhaps, be illustrated adequately by the figures of 1955. During that year the Union Public Service Commission conducted thirty different examinations for which 41,543 candidates applied. Some 5,471 candidates were interviewed and 1,345 appointments were made. This is, by any standards, exacting routine work and nobody should argue against some kind of screening which is essential to reduce the mere mass of paper that impedes highly selective recruitment.

Merely screening the unwanted, however, does not guarantee that those selected will be suitable. In other words, screening is only a negative aspect of the problem, and screening seems at the moment unduly hard. One of the current complaints relates to the limit of salary of Rs. 300, which has been prescribed as a condition of entrance from both sectors. While an arbitrary figure has necessarily to be introduced, it is not clear that the figure of Rs. 300 is the appropriate one. The bulk of Central Government employees are in the time-scale of 160-330 or 160-450 and the corresponding scales of pay in the State Governments are lower still. Practically all these candidates will be deprived of the opportunity of entrance which might well, in particular cases, be in the interests of the public service. Some latitude should clearly be allowed in certain deserving cases where State Governments consider such a course desirable. There

is also a minor objection in regard to dates. While the crucial date in respect of income is April 1, 1956, that for age is December 31, 1956. Some arbitrary line needs to be drawn on age as well as pay, but why should there be two dates instead of one? It would appear that if the date for income was also shifted to December 31, 1956, some hardship might be reduced.

In the last analysis, it is not so much the issue of new recruitment as the utilisation of existing manpower which represents the Government of India's largest failure. At the present time the Defence Services contain the substance of this error in a painful and irritating form, largely due to the unbalanced result of war recruitment of many commissioned officers. At present Majors in the Indian Army may, for the next fifteen years, continue to be Majors, and some have to retire at the age of 45 since existing rules do not permit a Major to continue in service after that age. Similarly for Lieutenant-Colonels the age of retirement is 48. In either case here are men trained in leadership, disciplined in the Army and already with management experience, which new entrants may not enjoy. To allow Defence officers to apply is not an answer to this complaint. They must be accommodated, not just "permitted to apply". That the Government of India should be proposing summarily to reduce officers of this calibre while it recruits indiscriminately elsewhere is merely a measure of the lack of co-ordination which now exists between the Home Ministry and the Defence Ministry of the Government of India. It is a matter of special irony that the present Defence Minister was once the Home Minister, and that the Prime Minister has held direct charge of the Defence portfolio and has permitted premature retirement at a time when as Chairman of the Planning Commission he was deeply concerned about the shortage of manpower for economic development.

This argument leads to only one conclusion, namely that before the volume of new recruitment is decided on, every single suitable officer in the Defence Services due for retirement or willing to move over without objection from the Defence Ministry should be absorbed in the civil administrative line. This may mean some delay in deciding on the actual numbers to be recruited to emergency posts. But this is no more than a condition imposed by justice and equity and the interests of the public services. It is as important to maintain morale in existing posts as it is to provide new opportunities. Unhappily, too often the Government of India thinks its employment policy is far more important than good utilisation of those employed. It should be firmly understood that educated unemployment is not a reason for the creation of posts in the higher services. The country demands that immediate action should be taken for an integrated recruitment policy bearing in mind the utilisation of those already in the public service. How can recruitment even begin without a survey of the nature of coming management demands? Or, is the cart to be placed before the horse here also, meaning that an arbitrary number is to be selected and then thought given as to where and how they are to work? If the present training methods are continued indefinitely, the Home Ministry will go on producing square pegs for round holes.

Here's the *NEW* model

Crystal

It's smarter,

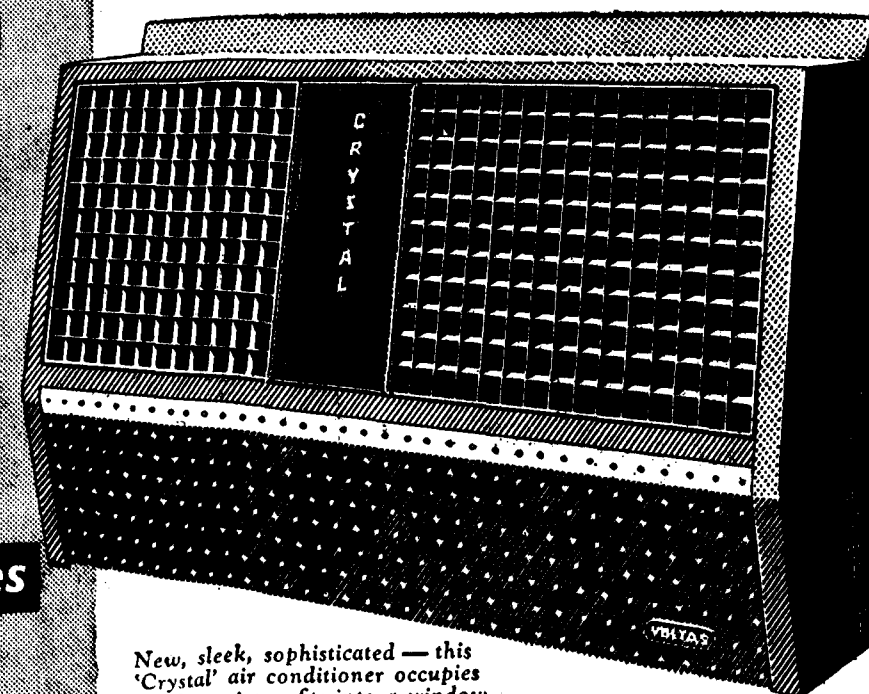
it's smaller

—and costs

much less

and it's got

7 plus features



New, sleek, sophisticated — this 'Crystal' air conditioner occupies no floor space, fits into a window, a skylight or a small space in the wall.

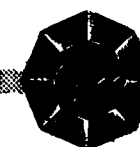
THINK of it! Cool, filtered air to breathe; a quiet atmosphere to work or sleep in; a fresh invigorated feeling — you get them all from the new model 'Crystal', the finest room air conditioner yet made for the Indian climate.

Write to Voltas Limited for details of the new, wonderfully inexpensive 'Crystal'.

For better **HEALTH** and
greater **COMFORT**

Crystal ROOM
AIR CONDITIONER

Full 1 ton capacity



VOLTAS

The people who know air conditioning best

VOLTAS LIMITED Head Office: Bombay 1

7/1, Ajmeri Gate Extension, New Delhi

CALCUTTA - MADRAS - COCHIN - AHMEDABAD - SECUNDERABAD
BANGALORE - INDORE - JAIPUR - NAGPUR

A young man with 90 years' experience

**How Standard-Vacuum's technical sales staff
help make industry more efficient and productive**

LUBRICANTS are a vital need for every factory, power plant and machine shop. But it is not enough just to buy the best lubricants. Expert advice on lubrication is also needed.

Trained Standard-Vacuum specialists render complete lubrication service, by studying each problem, no matter how large or small, and finally recommending the correct GARGOYLE Industrial Lubricant. The customer gets the benefit of 90 years' experience, gained in solving lubrication problems throughout the world.

Standard-Vacuum's Lubrication Service helps to keep machinery running at peak efficiency, and eliminates costly breakdowns — thus increasing the productivity of Indian industry.



STANDARD-VACUUM OIL COMPANY

(Incorporated in the United States of America; the
liability of the Members of the Company is limited)

V. 2657

THE WEEK'S NOTES

THE SUCCESSION BILL

THE LOK SABHA passed this week the Hindu Succession Bill, a further instalment in the programme for the reform of the Hindu Code. The Prime Minister rightly described the measure, which gives the daughter a share in her father's intestate property, as a step which would shake people out of their lethargic ways. He also correctly pointed out that nobody was completely satisfied with the Bill as it was—some wanting a more radical measure in this or that respect, while a few feared that it was going too far in modifying the existing system. Evidence that any Bill like the present cannot be entirely satisfactory to all can be had by studying the progress of the measure since it was first introduced. The Joint Select Committee made many radical changes in the draft Bill framed by the Government on the report of the B. N. Rau Committee. By bringing the Mitakshara co-parcenary system within the scope of the Code, it appeared to put the son in an undivided family at a disadvantage in comparison with the daughter. It also made the daughter's share equal to that of the son, treated, rather unjustly, married and unmarried daughters alike and placed legitimate and illegitimate children on the same footing for intestate inheritance. The Rajya Sabha was equally liberal in making alterations and, among other things, denied the illegitimate child a share in intestate property. While the Select Committee had placed the mother in Class I and the father in Class II of preferential heirs, the Rajya Sabha put both in the latter category. But the Lok Sabha has now reversed the Rajya Sabha's decision on this point. In sum, the Lok Sabha has not liquidated the joint family but has persuaded it to confer fresh legal rights on women.

Property descends according to natural feelings or customary practice. Neither is fixed and uniform in this country. An attempt to introduce some sort of uniformity, particularly where property is left intestate, is unlikely to disarrange family relations, as was contended by some critics, provided family relations are based on something higher than property interest. In practice the rivalry between man and woman is imaginary, and ultimately what a woman gains as a daughter she may lose as the wife of a son. But the present measure will add to her independence and economic security and certainly raise her status. Those who are fighting this trend towards greater social justice are assuredly fighting a losing battle.

STATES BILL PUT OFF

IT NOW appears likely that the Bill relating to the reorganisation of States will not be finally passed in this session of Parliament. For one thing, there is some disinclination in official circles to give the appearance of pushing through such a controversial measure without giving adequate opportunity for all points of view to be expressed. But as it is all possible points of view have been put forward for the consideration of the public and those in authority, and it is unlikely that anything new and worth while will emerge in the next two months. Even so there is something to be said in favour of the Government's reported decision. Also the fact that the Bill regarding Bengal and Bihar will not be ready for some time more makes postponement understandable since all the new States can be inaugurated simultaneously only if this Bill is also passed along with the main Bill.

It is to be hoped that the present postponement is not the result of indecision and made in the expectation that something will turn up to clean up the Bengal-

Bihar affair and to solve the problem of Bombay's future. If anything, the intervening period should be utilised to take firm decisions on all outstanding points and to enforce them. The Prime Minister is correct in saying that no decision is irreversible, but frequent repetition of it makes people think that any decision can be changed at any time provided sufficient stubbornness is exhibited.

The consequence of delay in the inauguration of the new States will be that the elections scheduled to be held early next year may have to be postponed. There is talk of postponement of three or four months, but this will involve the holding of polling in the middle of summer, which may frighten away many conscientious voters and certainly make the indifferent ones stay at home. The weather factor will have to be considered if the elections have to be postponed before the period of postponement is decided on. It is to be pondered whether all the elections—to Parliament and the State Assemblies—need be postponed, though there is point in the argument that unsocial elements will take advantage of any tensions which reorganisation may give rise if elections are held soon after.

INDO-PAKISTAN TALKS

THE DACCA conference on the exodus of minorities from East Bengal has ended with a joint communique which places the responsibility for the safety and security of the minorities in either country with the Governments concerned. That this should require reiteration is rather strange. But the failure of the Pakistan Government to infuse a sense of confidence in the minority community in East Bengal probably necessitated it. But this declaration has been followed by a list of measures already taken and proposed to be taken by the East Pakistan Government to stop the exodus. These measures contain nothing new and are unlikely to have the desired effect unless the method and machinery of implementation undergo some change. That what is wrong in East Pakistan, preventing the minorities from sticking on, is not the professed intentions of those at the top but the attitude of those at the lower levels has been abundantly clear for some time now. The Provincial Government's circular to its officials on the subject also seems to have failed in its purpose.

In these circumstances the agreement of the Indian Government representative to exercise stricter control over the issue of migration certificates cannot but cause alarm among the minorities in East Pakistan. On what basis this control can be exercised it is difficult to understand. Evidently people will not be migrating in such large numbers unless they have sufficient grounds for fearing discrimination and lack of security. The promise to derequisition minority properties which have been requisitioned and other assurances may meet with many difficulties in implementation. Only a few days ago the Prime Minister of India was pointing out that Pakistan had been regularly violating the Nehru-Liaquat Pact, and it seems strange that India should now seek to place difficulties in the way of those seeking safety and security in the name of that now discredited pact. The Dacca conference can be judged only by results—by whether the Pakistan Government succeeds in restoring confidence among the minorities and persuades them to discontinue the exodus.

WORLD BANK LOANS TO BURMA

THE WORLD BANK has granted two loans totalling 19.35 million dollars to Burma for the improvement of

the country's transport system. One loan for 14 million dollars is for the development of Rangoon port and will help finance the reconstruction of cargo berths and storage facilities at the port and the purchase of floating equipment, such as dredges and tugs, for harbour operations. The second loan of 5.35 million dollars is for rail transport development and will pay for freight cars, diesel rail-cars and bridge construction materials. These are the first loans being given by the World Bank to Burma and appropriately enough are to be used for the reconstruction of installations and properties destroyed during World War II.

Improvement of transport is of high priority in the development plans of the Burmese Government, as indeed it must be in the plans of the Government of any underdeveloped country. Rangoon port handles four-fifths of Burma's foreign trade and the \$19.3-million project, partly financed by the Bank, will increase the port's capacity, shorten the turn-round time of vessels and provide better and safer service to ships. The railway rehabilitation programme costing \$35 million will improve the movement of rice, timber and minerals destined for export. The loans bear interest at 4.75 per cent, the first being for a term of 20 years and the second for 15 years. Coming at a time when the Burmese Government's own capacity to invest has been a little adversely affected since rice prices started to turn downward in 1954, these loans will help in urgently needed improvement works. It is reported that some investment programmes have had either to be curtailed or slowed down for lack of adequate internal finance, and it is probable that the present World Bank loans will be followed by more assistance from foreign sources in the country's reconstruction and development.

NEW LOOK FOR WESTERN POLICY

THE DECISION of the Atlantic Council to set up a committee of "three wise men" to advise it on ways and means of improving and extending NATO co-operation in non-military fields and to develop greater unity within the Atlantic community is probably the first considered step the Western Powers have taken to counter the new Soviet policy of winning friends and influencing people through relaxation of internal and external tension and offers of economic aid to backward countries. The other day President Eisenhower indicated awareness of the need of modifying Western policy to meet the Soviet challenge, though the NATO decision does not go far enough. But the NATO has been mainly a military alliance and Soviet foreign policy until recently warranted no change in its set-up. Western thinking has also regrettably fallen into the "military containment" groove. There was awareness that this would not suffice in the long run, but the emphasis on it had tended to exclude other avenues of answering the false attractions of Communism.

It would not be wrong to interpret the present change in Soviet policy as partly stemming from NATO's potency as a military alliance, though the organisation has not met with the desired amount of success in bringing Western forces together and up to the level required. True, the Asian situation also made the change capable of yielding greater successes, but only this change in Soviet policy has impressed on the West the need to modify its own policy. The "three wise men" set up by the Atlantic Council may not achieve much, but if the same rethinking is extended to other frontiers where Communism and Democracy face each other, the results are likely to be far more beneficial. France has opposed the use of the NATO for channeling American aid, and similar objections may be raised to the use of other military alliances for a similar pur-

pose. But, if the change in Western outlook is the precursor of other policy changes to meet the new Soviet offers and wooing of backward and other nations, that will be the greatest achievement. Ironically enough, the Soviets have probably set in motion a policy which may defeat them more surely than the policy the West has been following up to now.

FRANK-SPEAKING BY MR. GAITSKELL

MR. HUGH GAITSKELL'S comments on the "dinner incident" have not come a moment too early. When Mr. Khrushchev complained of the hostility of British Socialists to Soviet Communists, there was some inclination in many circles to agree with what he said and to consider the questions put to the Soviet leaders at the Labour Party reception as ill-timed if not inappropriate. Mr. Gaitskell has now pointed out that the dinner was never meant to be just a social affair as it was the only occasion on which the Labour Party's National Executive was to meet the Soviet leaders. It was, therefore, not surprising that the issue of imprisoned Social Democrats (whose views and policies are akin to those of the British Labour Party) should have been raised, and if Mr. Khrushchev's answer on that occasion was an emphatic "no", it is unlikely that his reply would have been less uncompromising had the subject been raised elsewhere on another occasion. Mr. Gaitskell has grasped this, and Socialists, and humanitarians, everywhere should be ashamed if they avoided mention of the plight of fellow-Socialists and fellow-men on the score of not wanting to be impolite to guests, especially where the guests are highly political guests of the type of Messrs. Bulganin and Khrushchev.

Mr. Gaitskell is probably right in his assessment that the Soviet rulers would perhaps take greater notice of the subject than appeared from their first reaction. It is evident that the British Labour leaders did not expect the Soviets to confess that they had in fact wrongly imprisoned Social Democrats. But, if the present liberal trends in the Soviet Union and other Communist nations are to be credited with any real significance, more steps towards lessening of totalitarian tyranny can be expected. The concern of Socialists in Britain that Social Democrats should not be excluded from the benefits of any move towards liberalisation is understandable. But whether the freeing of these Social Democrats can be safe for the continuance of one-party rule only Mr. Khrushchev can know. His outburst indicates that the loyalties of the people over whom his satellite Communist Parties rule are not entirely undivided. The possibility of Social Democrats, released from prison, attracting the support of the people and setting up a strong counter-force to the Communist Party, should cause Mr. Khrushchev many sleepless nights. Only that can explain his talking of politenesses and niceties of behaviour.

THE EASTERN ECONOMIST (Subscription Rates)

	Payable in advance	
	India	Foreign
	Rs.	Rs.
Annual	50	66
Half-yearly .. .	25	33

Copies delivered by air in Bombay, Calcutta and Madras at an extra cost of Rs. 9/- per year.

Foreign air rates on application. Offices in New York, London and Tokyo.

The Manager,
THE EASTERN ECONOMIST LTD.,
52, Queensway
NEW DELHI

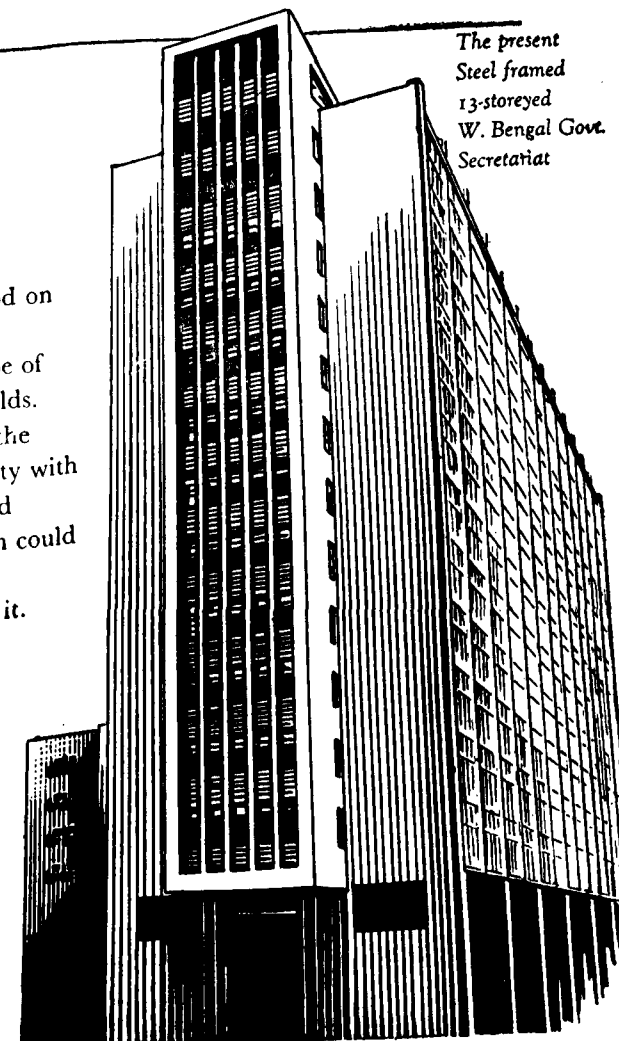
"Where now the city stands,
there was once naught but the city's site." OVID

Calcutta

On August 24 1690, when Job Charnock stood on the banks of the Hooghly, he saw before him a depressing landscape of mud hovels, swamps, and paddy fields. On that very site has risen in the course of the years a pulsating city with heavy industry, modern transport and busy docks—a metropolis which could have made little progress but for STEEL—thousands of tons of it.



Scene before the old Secretariat—18th century



The present
Steel framed
13-storeyed
W. Bengal Govt.
Secretariat

Steel
For
Progress

INDIAN **ISCO** STEEL

A Window on the World

RE-THINKING OUT SOCIALIST FUNDAMENTALS

By

ODYSSEUS

WHY HAS the British Socialist Party lost the support of thoughtful independent voters since 1950? Why have the Conservatives been in office ever since? Among the factors that have antagonised the voters against Labour are four that stand out:

1. The experience of the negative and frustrating war-time controls, prolonged years after the fighting was over; and in particular the impression, fostered by its enemies, that the Labour party regarded the ration card not as a temporary expedient but as a permanent feature of a fair shares economy.

2. The discovery that the Labour government's "Socialism" meant the establishment of a number of vast, bureaucratic public corporations, which failed to fulfil the two proclaimed essential requirements of Socialism, namely, that a state-owned industry should be fully responsible to Parliament and give a share of the management to the workers.

3. The uneasy suspicion that the social revolution of which Socialists have talked was actually leading not to a freer but to a managerial society.

4. The conviction that complete socialisation, as practised by the USSR, has degenerated into a totalitarian state, in which the loss of civil liberties is not counter-balanced by the eradication of inequalities.

What brought people into the British Labour Party before the war was the conviction that it was fighting for popular emancipation at home and abroad. What made them Socialists was the belief that democracy was breaking down and that freedom could only be secured by transforming it into a Socialist society. This was the assumption which converted a whole University generation, who would have been ardent Liberals in 1906, into ardent Socialists during the great depression; and it has been the growth of doubt about the truth of this assumption which has disillusioned them in the 1950's.

At this point some Socialist retorts that all this is just another dose of the usual anti-Socialist propaganda and requires no answer. It is obvious, he says, that we live in an age in which all societies the world over have either adopted the Socialist pattern long ago or are in process of so doing. Why, then, argue as though the clock could be put back?

ANEURIN BEVAN'S GINGER GROUP

True, but it is precisely because we do live in a Socialist pattern society that we owe it to ourselves to keep abreast of the latest patterns of Socialist thought. Not one of the first six paragraphs of this column is mine: they are taken from an admirable pamphlet entitled "Socialism and the New Despotism", newly published at Re. 1 by the Fabian Society (11 Dartmouth Street, London. SW. 1.) and written by R. H. S. Crossman, M.P. for Coventry East since 1945, a man of outstanding intellectual calibre, not the least of whose qualifications entitling him to a respectful hearing in Leftist Indian circles is that he is a conspicuous member of the Aneurin Bevan Labour ginger group of 100 per cent Socialists. Whereas Mr. Gaitskell wants

to slow down on Socialism, Mr. Crossman wants to sprint ahead.

Fairly and honestly, Mr. Crossman sets forth the 1956 Socialist's dilemma when he says that whereas in the 1930's Socialists assumed that Capitalism was not only immoral but unworkable, a system doomed to peter out from its inherent weaknesses, time has demonstrated this assumption to have been false. If so, the question suggests itself, what's the point of being a Socialist any longer?

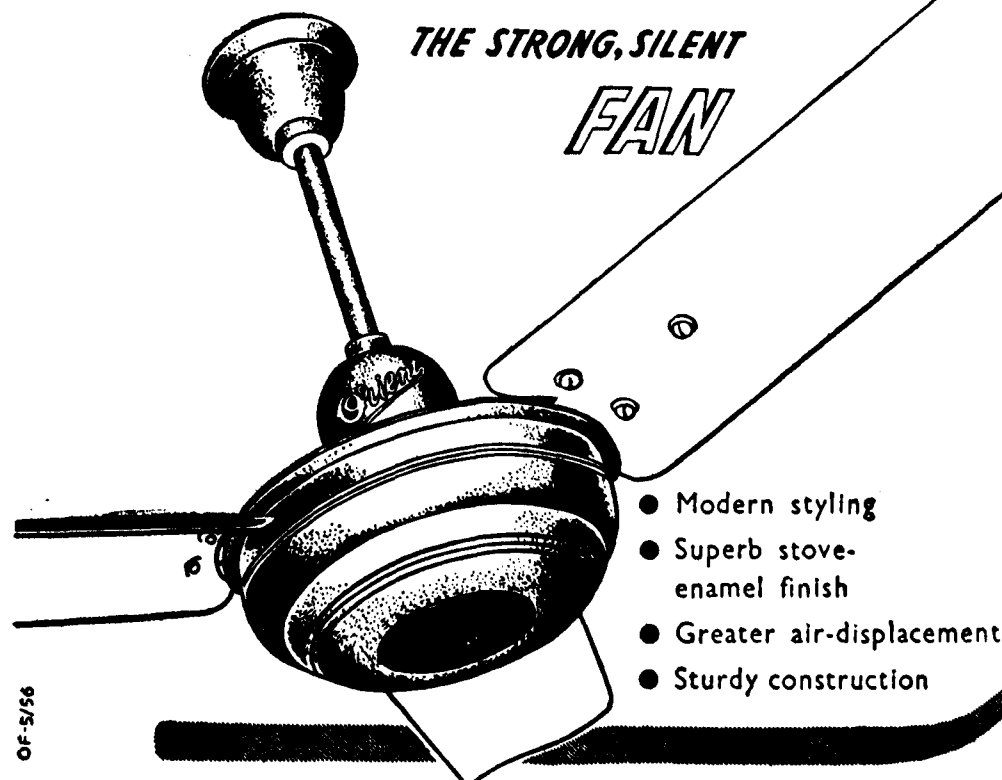
Mr. Crossman observes that since 1945 the evidence from the USA, Britain, and Western Europe proves that mass unemployment is not, as used to be thought, the fundamental problem of Western society because it can be controlled by any government that understands the economic system and contracts and expands credit in accordance with Keynesian principles.

Why, asks Mr. Crossman, do so many Socialists hesitate to recognise this? Surely democratic Socialists who detest the Communist state's denial of freedom ought to feel relief on discovering that totalitarian control is not essential to abolish mass unemployment? To which Mr. Crossman courageously answers that one reason why Socialists hesitate is that it was difficult enough to persuade people to become Socialists when they could be told that Capitalism was not only immoral but unworkable, so that today Socialists fear that it would be still more difficult to persuade a majority of voters that this workable system must be overthrown simply because it is immoral. Don't most people care more about security than about social justice? If Welfare Capitalism can provide the majority with security, how can voters be persuaded to take steps in the dark towards an unknown quantity—Socialism? (For don't let's fool ourselves: nobody outside the Communist states knows what full Socialism means in practice, and those inside only know totalitarian Socialism, which is perhaps why the good Comrade Khrushchev could not understand why the British Socialists were anxious about the fate of the Social Democrats now languishing in Communist prisons and why he got so mad with Mr. Gaitskell for hoping that these hapless political prisoners had suffered enough and could now be let out).

Mr. Crossman asserts that if British Socialists are honest with themselves they must admit that Britain's experience of the mixed economy established by the Labour government between 1945 and 1950 has demonstrated that it was the least dogmatically Socialist parts of what the Labour government did which were most popular and which worked best. The welfare legislation—free health services, education, etc.—have been popular, whereas nationalisation has not changed the lives of the workers and has disappointed the British trades unions. Mr. Crossman shrewdly points out that although convinced Socialists may look forward to a future in which forty or fifty more national Boards are imposed on other industries besides the existing Coal Board, British Electricity Authority, and Transport Commission, such a programme would neither win votes for Labour nor arouse enthusiasm among the trades unions. If Boards of control for nationalised

BETTER THAN EVER

Orient
THE STRONG, SILENT
FAN



- Modern styling
- Superb stove-enamel finish
- Greater air-displacement
- Sturdy construction

ORIENT GENERAL INDUSTRIES LTD. 6, Ghore Bibi Lane, Calcutta-11

Sole Distributors:—M/s. REPUBLIC ELECTRICAL CO., 16/25, Katra Baryan, Fatehpuri, Delhi.
Telephone: 23831-(PP)

A profitable investment . . .

UCOBANK'S
3-YEAR CASH
CERTIFICATES

- Repayable at any time
- Earns a higher rate of interest

THE
UNITED COMMERCIAL BANK LTD.

Head office : Calcutta.

Paid-up Capital ... Rs. 2 Crores
Reserve Fund ... Rs. 95 Lacs

ALL TYPES OF BANKING BUSINESS TRANSACTED

G. D. BIRLA
CHAIRMAN

S. T. SADASIVAN
GENERAL MANAGER



Rupee Travellers' Cheques issued in convenient denominations.

It is estimated that the plan will involve expenditure at the rate of £12,000,000 per annum for four years.

TRADE

Trade Agreement Between Finland and Norway: According to the trade agreement recently concluded between the two countries, Norway will import from Finland plywood and furniture to the value of 5 million Kroner, gypsum plates for one million Kroner, machinery, iron and steel for 7 million Kroner and 200 tons of seed. Norway will supply, 5,200 tons of hardened fat, 7,000 tons of lime salt peter, 25,000 tons of sulphur titanium to the value of 3 million Kroner and fatty acids and stearine to the value of 2 million Kroner.

Trade Agreement Between Formosa and Egypt: A trade agreement has been reached between Formosa and Egypt. Under the agreement, Formosa has agreed to buy \$6,300,000 worth of cotton, rice and other Egyptian goods. In exchange, Formosa would supply to Egypt paper, refined sugar, black tea and aluminium.

Trade Between Malaya and India: Malaya's trade with India during November 1955, the latest month for which detailed statistics are available, with imports from India valued at M\$8.5 million and exports to India at M\$7.9 million registered a trade balance of M\$.6 million in favour of India, against a trade balance of M\$.4 million in favour of Malaya during the preceding month, and a trade balance of M\$.6 million in favour of India during the same period of 1954. Cumulative trade during the first eleven months of 1955, with imports from India at M\$79.6 million and exports to India at M\$89.2 million registered in favour of Malaya a trade balance of M\$9.6 million, when compared to a trade balance of M\$39.6 million in favour of Malaya during the corresponding period of 1954.

Foreign Trade of India by Land with Pakistan, Afghanistan, Iran and Burma during March, 1956: According to the land-borne trade returns received in the Department of Commercial Intelligence and Statistics, the provisional figures of the total value of foreign trade of India by land with Pakistan, Afghanistan, Iran and Burma during March, 1956, are as follows: Merchandise: Exports Rs. 39 lakhs, exports to Eastern Pakistan Rs. 16 lakhs; exports to Western Pakistan Rs. 20 lakhs; exports to other countries Rs. 3 lakhs. Merchandise: Re-exports Rs. 1 lakh; Merchandise: Imports Rs. 281 lakhs. Imports from Eastern Pakistan Rs. 225 lakhs; imports from Western Pakistan Rs. 14 lakhs; imports from other countries Rs. 12 lakhs. Total trade Rs. 321 lakhs. Trade in treasure: Negligible. Balance of Trade: The total value of exports, including re-exports, fell short of imports by Rs. 241 lakhs.

FINANCE

Import Duty on Silver Raised: The Government of India have issued a notification raising the duty on the import of silver bullion, silver sheets and plates, which have gone no process of manufacture subsequent to rolling and "silver coin not otherwise specified" from 4-1/5 annas per oz. to 8-2/5 annas per oz. Announcing this, a press note issued by the Union Ministry of Finance says that with a view to facilitating Indo-Tibetan trade, the Government of India have also decided to license freely the import from Tibet of any

silver coin which is current in the Tibet region of China. Applications for such licenses should be made to the Reserve Bank of India or the Political Officer in Sikkim.

Sterling Area's Dollar Reserves: The gold and dollar reserves of the Sterling Area rose by \$51,000,000 during April and stood at \$2,328 million on April 30. Defence aid estimated at \$4,000,000 was received from the U.S.A. during the month, and \$2,000,000 were paid to creditors of the European Payments Union (E.P.U.) in bilateral settlement. On the provisional figures for the month, the U.K. had a surplus of £14,000,000 with the European Payments Union, which will fall to be settled in May as to 75 per cent in gold or dollars and as to 25 per cent by a reduction of the debt to the Union. The improvement in the gold and dollar position has now been continuous for seven months. Reduction of the deficit began in October, and the first surplus was in January. The reserves in the first three months of this year stood at: January \$2,149 million, February \$2,210 million, and March \$2,277 million.

Low-Income Group Housing Grants: The Government of India sanctioned during February an additional loan allocation of Rs. 25 lakhs to the Government of Saurashtra under the Low-Income Group Housing Scheme. During the month, a sum of Rs. 137.64 lakhs was disbursed to five State Governments—Rs. 69 lakhs to Punjab, Rs. 25 lakhs to Bombay, Rs. 20 lakhs each to Mysore and Saurashtra and Rs. 3.64 lakhs to Bihar. The total allocation made under the scheme up to February, 1956, was Rs. 2,153.2 lakhs, of which Rs. 917.63 lakhs had been distributed.

More Central Aid for Development of Handicrafts: The Government of India have sanctioned further loans and grants totalling about Rs. 4,71,000 for the development of handicrafts. Of the amount, Rs. 2,25,300 will be utilised by the All-India Handicrafts Board. A loan of Rs. 80,000 has been granted to the Indian Co-operative Union Ltd. The Indian Institute of Art-in-Industry, Calcutta, has been given a grant-in-aid which will not exceed Rs. 25,000. Rajasthan gets a grant of Rs. 23,250. West Bengal has been given a grant of Rs. 20,000. A sum of Rs. 12,000 as grant has been sanctioned to Bombay State. Andhra gets a loan of Rs. 6,000. Madras gets a grant of about Rs. 4,400. A grant of Rs. 2,000 has been given to Madhya Pradesh, and a further grant of about Rs. 1,300 has been sanctioned to Orissa.

GENERAL

Employment Situation During March 1956: The number of employment seekers registered at the Employment Exchanges all over India declined to 7,04,638 during March, 1956, from 7,24,448 at the end of February, 1956. The number of employed persons, who were in need of further employment assistance, was 6,659 at the end of the month. Fresh registrations at the Exchanges marked a fall of 6,552 during March, 1956. The number registered was 1,21,399 as against 1,27,951 during February, 1956. The decrease in registrations was comparatively large in the State of Uttar Pradesh 5,716; Bihar 1,978; Delhi 955; Rajasthan 942; and Travancore-Cochin 691. On the other hand, increase in registrations was marked in the State of Madras 1,479 West Bengal 861 and Madhya Pradesh 690.

NEWS IN BRIEF

FOREIGN

It is reported federal aid to gold mines under the Emergency Gold Mining Assistance Act is to be extended to the end of 1958 at existing rates in Canada.

The withdrawal of export taxes on coffee and cotton from July 1 in Kenya is contemplated. A proposal to this effect was made by the Finance Minister, Mr. E. A. Vasey in his recent Budget speech to the Legislative Council.

Trade talks between Yugoslavia and West Germany, fixing quotas for the financial year 1956-57, are to be held at Belgrade in the middle of May.

Pakistan will invest a little over Rs. 5 million in the International Finance Corporation. A bill providing for Pakistan's membership of the Corporation passed by the National Assembly has now received the President's assent. The Corporation was set up with a target capital of \$100 million.

World corn production in 1955-56 is estimated at 6,190 million bushels. It would be exceeding the previous record in 1948 by 175 million bushels and the small 1954 production by 650 million bushels.

A M\$1 million housing project has been started in Ipoh, capital of the State of Perak, involving in all a total of 500 houses. Another M\$4½ million housing scheme is being launched in the colony by the Singapore Co-operative Housing Society.

It is reported the Royal show, the biggest agricultural show in the world will be held this year at New Castle-upon-Tyne from July 3 to 6. Sixty different countries are expected at the Royal show.

The sixth session of the Pakistan Tripartite Labour Conference will be held in Karachi from May 17 to 19.

Norway's hydro-electric generating capacity has increased in 1955 by 560,000 kilowatts or 5 per cent more than in 1954, which is the biggest increase ever recorded.

Kuwait Oil Company, jointly owned by British Petroleum and Gulf Oil, reports production of crude oil in Kuwait for March, 1956, of 4,922,844 tons, compared with 4,552,335 tons. Total production for period January 1 to March 31, 1956, is up from 12,907,048 tons to 14,043,452 tons.

Trans World Airlines has renewed its contract with the Government of Ethiopia, to provide management service for Ethiopian Air Lines.

The world spent \$12,000 million last year on advertising. The USA contributed two-thirds of that amount and Britain \$1,000 million.

It is reported an aerial geological and mineral survey of Assian countries would be made under the auspices of the ECAFE shortly.

INDIAN

The Government of India have decided to award passage grants to Scheduled Castes, Scheduled Tribes and other backward classes candidates who have received merit scholarships during 1955-56 for studies abroad without passage costs.

The US International Co-operation Administration has announced new authorization totalling \$17,389,675 for the purchase of a wide variety of equipment for use in India.

The President has given assent to the Hyderabad Abolition of Inams (Amendment) Bill, 1956. The Hyderabad Abolition of Inams Act, 1955, was assented to by the President on July 16, 1955, and came into effect from July 20, 1955.

About 602 factories spread over 19 States are manufacturing fruit products and preserves. Bombay, with 137 has the largest number of such factories.

A sum of Rs. 26.83 crores has been provided for soil conservation work under the second Five-Year Plan as compared with Rs. 3.25 crores under the first Plan.

It is reported a programme for the development of major ports at a cost of Rs. 62.28 crores has been drawn up for inclusion in the second Plan.

Under a scheme of the Indian Council of Agricultural Research, the American Arcot Mission is at present maintaining more than 2410 exotic chicks at Katapadi, Madras.

The last date for filing applications for compensation from landowners whose lands were nationalised in Burma during 1953-54 and 1954-55 has been extended by two months by the Government of Burma.

The Government of India has so far paid Rs. 4,52,89,300 for the execution of development projects in Nepal. The aid given by the Government of India has been two-fold—technical and economic.

Grants have been sanctioned to some of the Universities, colleges and research institutions for conducting economic surveys of important towns in the respective states.

The Government of India and the USSR have concluded an agreement for the export of 500 tons of coffee to Russia at a cost of about Rs. 41.22 lakhs. Two grades of coffee will be exported—the higher quality at Rs. 400 to Rs. 450 per cwt. and the lower quality at Rs. 360 per cwt.

It is reported the Madhya Pradesh Government has decided to stop issuing new manganese mine leases.

The Government of India has decided to establish two more coal washeries—one at Bokaro-Kargali Colliery with a capacity of 550 tons per hour and another at Durgapur with a capacity of 300 tons per hour.

Mr. Nitayanand Kaungo declared recently that three firms were at present engaged in the production of motor cars—in Bombay, Madras and West Bengal, and they claimed a total capacity of 33,000 cars per annum.

Announcing




Collaboration

for the
manufacture of various types of preparatory
and ancillary equipment for textile fabric manu-
facture, in all classes of natural and
synthetic fibres, including

★ HIGH SPEED WINDING MACHINE ★ HIGH SPEED WARPING MACHINE
★ AUTOMATIC PIRN WINDER ★ WEFT CONDITIONING MACHINE
★ VACUUM CARD STRIPPER ★ LOOM CLEANER UNIT etc.

Enquiries to:



TEHMACO
(GWALIOR) LTD
P. O. Birlanagar
(M. B.)

DELHI
Rohatgi Mansion, Kashmere Gate,
Hamilton Road.

AHMEDABAD
Chhotelal Bldg., Kadla Kul,
Relief Road.

BOMBAY
254-A, Annie Besant Road,
Worli.

BANGALORE 64, Second Cross, Gandhi Nagar.

TEX 10-2.

Special Articles

THE ECONOMICS OF POWER

(CONTRIBUTED)

THE world is so hungry for all forms of energy that development of energy resources in many fields is complementary. Nuclear fission is emerging as a major source for the future and will give important assistance to the heavy and increasing loads which the mineral fuels are carrying. Nuclear power will not begin to provide a significant contribution to total supplies until the 1970's but should increase its share rapidly thereafter; for example, the United Kingdom, in the forefront of progress in the peaceful application of nuclear energy, estimates that by 1975 this source of power will only be providing 10 per cent of her total energy requirements. But the fact that this contribution will be in the form of centrally-generated electricity lends interest to the economics of electricity supply and use.

The world's consumption of electricity is rising at an annual rate of around 7 per cent and is doubling itself about every ten years, and reached an estimated world total, including the U.S.S.R. and China, of 1,356 million megawatt hours in 1954. Of this total about 40 per cent was consumed in the United States, 25 per cent in the O.E.E.C. countries of Europe, and 11 per cent in the U.S.S.R. India's consumption represented about 0.5 per cent of the total in spite of the fact that she has about 14.5 per cent of the world's population. Electricity still represents, however, only about one-tenth of all energy put to effective use throughout the world—i.e. excluding that lost in production, transmission and use.

In the decades ahead a continuing rapid growth of electricity consumption is foreseen, and though electricity is obviously fundamentally unsuitable for many purposes such as private and commercial road transport, technical advances in general are making it easier for any particular source of energy to be used in wider fields than it has been associated with in the past. It is, therefore, necessary to take greater account of the true economics of the supply of energy before committing extensive blocks of national resources to one particular source of power. The economics of conventional electricity supply indicates that in developed countries, where electricity is already widely used, any big expansion of electricity's functions outside the fields in which it is already used would entail higher costs and more capital expenditure than would be required by the increased use of other energy sources.

Broadly, this position arises from two major factors: First, thermal power—which accounts for about two-thirds of total electricity production, the remainder being hydro power—is a secondary energy source, requiring the costly processing of primary energy sources for its production, with a resultant loss of some three-quarters of the original heat content of the fuels used. Secondly, of electricity production and transmission demands high capital expenditure, far higher even than that required for petroleum. Thus, in a recent study published by the U.S. International Co-operation Administration ("Economic Aspects of Electric Power Production in Selected Countries"), it is shown that the expected cost of 56 proposed new conventional thermal generating installations in 25 different countries ranges from about £55 to as much as £110 per kilowatt capacity.

The capital costs of hydro installations are, of course, higher still. To these capital costs of generation must be added, of course, the capital costs incurred for coal or oil supply and for electricity transmission. At

full capacity operation one kilowatt of generating capacity could produce the calorific equivalent of about 0.7 tons of petroleum products. Thus, the cost of conventional thermal electricity capacity equivalent to integrated petroleum capacity of one ton annually is upwards of £80 for generating plant plus further capital for transmission facilities. By contrast, integrated petroleum capacity, covering all stages from crude oil exploration to the distribution of products to the consumer costs up to £40 or about half this figure per ton.

In practice the contrast between the capital costs of electricity and petroleum supply respectively is even greater than these figures indicate. The wide fluctuation of electricity demand at various times of the day and the year, coupled with the fact that electricity cannot be stored in large quantities, imposes the necessity for a generating capacity greatly in excess of the actual average rate of electricity production. In the U.K. last year, for example, thermal electricity sent out was equivalent to only 43 per cent of thermal generating capacity. The actual throughput of petroleum installations is very much closer to capacity than this, and in the case of refineries, for example, production generally averages over 90 per cent of capacity.

In the field of public transport—one of the few other fields in which both electricity and petroleum are fairly widely used—a comparison shows significant advantages to the consumer of petroleum in the shape of lower capital costs for consuming equipment, although in particular cases a high degree of equipment utilisation coupled with savings in other directions may favour the use of electricity. In the case of electrically-driven trolley buses, for example, while the cost of the vehicles themselves does not differ greatly from that of comparable diesel-engine vehicles an extensive cable-feeding network for electricity supply is also required, costing perhaps £10,000 or more per mile of route. Similarly, in the case of rail transport, electrification entails large additional capital expenditure on fixed installations. Thus, in the British Railways' modernisation plan, the cost of constructing 1,100 main-line electric locomotives is put at about £60 million, and the cost of about 2,500 main-line diesel locomotives at £125 million. But the additional cost of fixed installations to make the use of the electric locomotives possible is put at a further £125 million, this cost having no counterpart in the case of diesel traction.

A survey of the hydro-electric power potential of India reveals the dangers of committing any significant proportion to the propulsion of transport on the railways, a process which cannot be reversed once it has been undertaken in view of the high capital cost. It is a fact that nature has not been generous to India in hydro power and, with very few exceptions, the multi-purpose schemes are not power-intensive, as it is understood in the big hydro power consuming countries. Per capita hydro power potential is very small and will probably serve the country's interests best if devoted to production of goods.

Diesel locomotives have now been amply proved to have such overriding advantages that they are progressively eliminating the steam locomotive, even in countries whose prosperity is founded on coal. The advantages are founded mainly on high efficiency,

high utilisation, high speeds, high torque characteristics, low specific fuel consumption, cleanliness, virtually no consumption of water, and the ability to replace a greater number of steam units. In India it has been proved that the diesel is fully economic on cost and operating considerations and in addition offers the following advantages:

- (a) One ton of diesel fuel can do the equivalent work of up to 9 tons of coal and, therefore, dieselisation releases carrying capacity at a time when it is vitally needed for the second Plan. Railway coal accounts for about 11 per cent of total carrying capacity of the system.
- (b) Diesel fuel is available from ocean installations at the main ports round the periphery of India, thereby reducing cross hauls, and a network of bulk oil storage depots has already been built up covering the main towns on the Indian rail system.
- (c) Reduced railway coal offtake will release coal output which will be readily taken up in the expansion of industrial demand in the Plan.
- (d) Reduction in the water consumption will assist the problems in the drought areas and reduce emergency diversion of tank-wagons carrying water in scarcity areas.
- (e) the areas particularly suitable for diesel conversion are clearly North-West, South-West and Central-West India in that order.

GROWTH OF CO-OPERATIVE FARMING IN POLAND—I

By RICHARD WIELBURSKI

(Vice-Director of the Polish Institute of Agricultural Economics)

AN enormous differentiation in the countryside was the characteristic feature of the situation of Polish peasants before the war. On the one side there were 65 per cent of small-holders (owning less than 5 ha. of land, who altogether had less than 15 per cent of the total of land), and on the other side were 0.9 per cent of landlord families (owning more than 50 ha. of land each, constituting almost 50 per cent of the total area of land in use). The last official statistical data for 1931 gave the following figures for families of the various land-owning groups:

Landless peasants	590,000	families
Very small farms (less than 2 ha.) ..	747,000	"
Small farms (2-5 ha.)	1,136,000	"
Total of rural proletariat and semi-proletariat	2,473,000	"
Landlords (owning more than 50 ha.) ..	14,700	"
Kulaks (15 ha.—50 ha.)	118,200	"
TOTAL	132,900	"

Thus we obtain a picture of enormous land hunger, of the existence of an army of landless peasants, of owners of small farms and small-holders—the sources of cheap labour for the big landowners and kulaks. The peasants in pre-war Poland were also exploited by usurers and, by people who speculated with land. The medium farmer also gradually, but inevitably, sank to a lower level.

It suffices to mention that every hectare of peasant land was indebted (mainly through debts contracted from usurers), debts amounting to the value of 26 quintals of rye. Weighed down by such burdens, the productive forces of the farmer could not develop. Thus,

- (f) A new industry and a new technique in handling modern machines will be built up to India's advantage.

The country is power-hungry and the spread of electric power from the big projects will leave the main mass of townships and villages untouched for many years to come. Furthermore, individual demand in the areas at first is so diffused that steam plants are uneconomic and frequently essential supplies of water are not available. In this context a practical solution for the village lies in the diesel generator and it was an eminently practical view that led Canada, under the Colombo Plan, to allot \$3,000,000 for the purchase of diesel sets for India's villages.

Where higher power is concerned it will also be well to watch closely the development of the industrial gas turbine electric generator, burning oil products. This type of equipment already offers important advantages of high power for small space required, light foundations and buildings, and no water requirements whatsoever. Development has already reached the stage of long service life, and specific fuel consumptions are being steadily improved. Where process heat in an industrial establishment is required as well as electric power the industrial gas turbine is already fully economic. Other even more efficient and promising new developments are in the offing, such as the combination of a free piston gas generator driving gas turbines for electric power generation, water lift, etc.

even the big landowners did not introduce modern techniques in their farms; they did not mechanize production as there was always a surplus of labour which was extremely cheap. Not a single tractor was working on Polish soil.

The main trend in the development of Polish agriculture before the war was the degradation of productive forces and with it the pauperization of the peasants, the constant increase in the number of small farms and deterioration in their situation. The war years and Nazi occupation speeded up this process. The land reform, which was the first great social transformation carried out by the Government of the People's Democracy, was the starting point for a fundamental change in the condition of the peasants, the structure of land ownership and the development of peasant farms.

As a result of the distribution of the landed estates, the peasants received more than 6 million ha. of land; 87.5 per cent of the land in Poland became the property of the farmers. In general 33.4 per cent of all the farmers received all their land or part of it as a result of the land distribution carried out by the People's State. Another important factor in the change was the fact that their debts were written off and they thus became in fact the owners of their property. Land reform was accompanied by an entire system of State aid, which enabled the peasants to husband their land, to develop production and to raise their earnings. The State supplied the peasants with grain, horses, machinery and tools, fertilizers, instructions and so on.

On the other hand the general development of the economy after the nationalisation of heavy industry, the banks and transportation, after the rapid reconstruction of industry ruined by the war and the further

industrialisation of the country, created the necessary basis for the growth of agriculture, accompanied by a simultaneously increasing demand of the urban market for agricultural goods and of the rural market for industrial products.

The main characteristic feature of working peasants in our People's Republic is that they are really the owners of their land and are deeply interested in increasing production. It is important to emphasise this fact, since the development of producer co-operatives can take place only on the basis of voluntary forms of association of working peasants, who are independent owners of their farms. One of the main stimuli promoting the development of co-operatives is the possibility to increase the productivity of their farm, which means that the peasants can increase their income, retaining their position as owners of their soil. It should be emphasised that the setting up of producer co-operatives is the final result of an entire complicated process of peasants joining similar forms of co-operatives—in the field of supply and sale and in the various branches of production. It was also helped by an entire system of stimuli used by the State in granting help to the individual farmer and linking their production with the needs of the developing planned national economy.

While the number of members of agricultural and trade co-operatives among peasants amounted before the war to approximately 300,000, at present more than 3 million peasants are members of the supply and purchase co-operatives of the Peasant Mutual Aid Union. These co-operatives have enormously increased the net-work of their shops in the villages (from 8,000 in 1946 to more than 35,000 in 1952). These co-operatives handle a considerable part of the products sold by peasants and of the industrial goods bought by them. The development of rural supply and purchase co-operatives can be gauged from data on the number of machinery and agricultural implements sold by the entire trade before the war and by the supply and purchase co-operatives at present, because they reveal the enormous progress which has taken place in the agriculture of our country as compared with the pre-war period.

	1936	1950	1955
Ploughs ..	24,600	62,870	84,000
Cultivators ..	3,400	6,500	17,000
Fodder Steamers ..	4,300	15,600	38,000

Considerable progress has taken place in the joint utilization of the vast network of Community Machine Centres by the farmers. Seed drills from such Machine Centres did in 1949 the sowing of 620,000 ha. and in 1952 of almost 1,200,000 ha. Harvesters and sheaf-binders collected in 1949 grain from 250,000 ha. and in 1952 from almost 750,000 ha. The scope and quantity of work done by the tractors of the State Machine Centres for individual farms is also constantly growing. Particularly favourable conditions have been created for the peasants who join into groups and sign contracts for the use of machinery from State Machine Centres. An enormous intensification of mechanization in the work of individual farms is planned. At the end of the Five-Year Plan (1960) 25 per cent of the more important field work in private farms will be mechanized. Constantly on the increase is the number of peasant associations which have been set up in order to facilitate farming and to increase the various branches of production. This concerns particularly associations set up for the improvement of meadows and pastures, for their rational utilization, and for tilling the soil, and also associations of stock-breeders of cattle or pigs; the purpose of the latter associations is to improve the breed, health and productivity of domestic animals. The number of peasant associations for the production

of building material has considerably increased as well as collective action at building.

The substantial development of the simpler forms of co-operation enabled the working peasants to achieve considerable results in their production at relatively low cost which would have been beyond the reach of individual farmers. It is obvious that State aid can be much more effective provided that not individual peasants but entire group benefit from it.

There is still another important aspect in the development of simple forms of co-operation—it frees the working farmer from economic dependence on the kulak, it undermines the possibilities for the still existing (though much less significant than before the war) exploitation of man by man.

The association of peasants and the profits arising from it are still further facilitated by the broad variety of means adopted in the economic policy of our People's State. This policy is in favour of granting far-reaching assistance to the production process, credit as well as expert advice to all the working peasants. Here are a few data concerning this aid:

While the value of the output of agricultural machinery and implements in 1927 amounted to 46 million zloty, in 1950 it had already reached more than 100 million zloty, in 1952 160 million zloty, and it continued to increase at a rapid rate. The number of electrified villages is ten times higher than before the war. The amount of fertilizers used increased, as compared with 1928, by two to three times.

Those peasants have priority in getting State assistance who co-operate in farming. It is worth while to emphasise that this principle is not the result of a political dogma, but of the necessity to create such production conditions in the countryside as would exclude the possibility of exploitation. One of the more important methods of the State exerting influence on increasing production, and simultaneously building a bridge between the individual rural producers scattered all over the countryside and the collective socialist economy in the town, is the system of contract purchase of many agricultural products. The State signs with a considerable, constantly growing, section of farmers contracts for the production of sugar beet, flax, other industrial plants, livestock, pedigree animals, seed grain and many other products. If, for example, in 1947 an area of more than 250,000 ha. was embraced by contract purchase, in 1951 already more than 1,250,000 ha. were covered. In the leading provinces more than 20 ha. out of every 100 ha. of arable land came within the system of contract purchase. The peasants sold their contracted products at profitable prices, receiving at the same time selected grain at specially low prices, as well as fertilizers, concentrated fodder, agronomic advice and other forms of assistance. In order to stimulate production, contracting establishments buy surplus production above the amount contracted for at higher prices constituting a form of bonus.

Per capita income of the working peasants (according to preliminary data concerning the last six years) has increased by 35-40 per cent. Thus, the rural market absorbs more industrial goods. As an example the turnover in the textile goods in the Peasant Mutual Aid Union co-operatives increased from 1,200 million zloty in 1950 to 2,100 million zloty in 1952, in leather goods from 480 million zloty in 1948 to 1,000 million zloty in 1952. Only the development of industry can supply the countryside with the means necessary to increase production, give employment to surplus labour in crowded rural regions of the country, create and constantly help to increase the market for agricultural products in

the towns and for industrial articles in rural areas. We have achieved many successes in the development of our economy, but we still have many difficulties to overcome, which are the result, above all, of the too-slow increase in agricultural production. During the first four years of the last Six-Year Plan the annual increase in agricultural production amounted to 2 per cent, while during the last two years it amounted to 4 per cent an-

nually. Viewed overall we obtained during the course of the Six-Year Plan approximately a 20 per cent increase. This excessive disproportion results from the poor possibilities of increasing production in small, individual scattered farms. It reveals the economic necessity to speed up the rate of association of peasants on a voluntary basis, by setting up large socialist farms—co-operative farms.

Economic Report from the U.S.

COTTON EXPORT PROGRAMME

(BY GUY SIMS FITCH)

WASHINGTON, May 8.—Now underway in Washington is a little international conference that may well turn out to be one of the most important of the year. It is the plenary meeting of the International Cotton Advisory Committee. The Committee has 33 member Governments, representing major cotton producing and consuming countries, including the United States. But so great is the interest in the nine-day session which began today that delegates from more than 20 other nations are attending as observers.

Mostly, the deliberations will be held behind closed doors. It is quite certain, however, that one of the major issues taken up by the group will be the US Cotton Export Programme and its effects on other ICAC members. The programme, which was first announced last February, looks to the sale abroad at competitive prices of the US Government's cotton reserve. The programme will be put in operation on August 1, 1956. The decision to embark on this policy represents a departure from the long-standing US policy of keeping its cotton reserve stocks out of competitive world markets. The decision was made only after the most careful deliberations, and after it became apparent that no other acceptable alternative was available.

However, as the United States has said repeatedly and made especially clear in the February Cotton Programme announcement, sales of cotton abroad will be made in an orderly manner to avoid disrupting the world markets or impairing the position of friendly nations. This is in line with the general policy the United States has followed with regard to other commodities. In fact, this policy of orderly disposal was emphasized in the farm message which President Eisenhower sent to Congress last January. The points the US delegation can be expected to make at the current International Cotton Conference are understood to be these: The United States has made strenuous efforts to cut down its cotton reserve stocks. During the past two years alone, cotton acreage in the United States has been reduced by 35 per cent. In 1956, the harvested area will be the smallest since 1892. But as the United States has cut back its production, other countries have built up theirs—at the rate of one million bales a year. This increase in cotton production outside the United States has been outrunning the increases in consumption. The result has been that export demand for US cotton has fallen to about two million bales, as against five million before World War II.

The United States' share in the world cotton market has now fallen from 40 per cent before World War II to 20 per cent at the present time. During the past three years alone, cotton stocks in the United States have consequently grown from two and a half million to 11 million bales as in August last year, and reserves continue to increase. It is the considered opinion of most experts in and out of the US Government that any further reduction in American cotton acreage would have serious detrimental effects on the economic position of American cotton farmers. This is an eventuality which the US Government obviously cannot accept—particularly as long as other countries

continue increasing their output. The US position on this matter has long been made clear and it has also consistently taken into account the interests of other cotton-producing countries. The possibility that the United States would have to re-examine its cotton policy was raised as early as June, 1954, at the ICAC meeting at Sao Paulo, Brazil. Setting August 1 as the date on which actual competitive exports will begin, allows other nations time to make adjustments in their 1956 production and marketing programmes.

Events so far seem to justify the US view that the American programme, if given a chance to operate, will help reduce the heavy stocks hanging over world markets without causing any serious market dislocations or undue damage to price levels. It is noteworthy that cotton markets generally have remained sound, despite a brief and temporary price flurry shortly after the new policy was announced last February. Not to be overlooked, meanwhile, is the possibility that the US Government, under appropriate circumstances, would be willing to co-operate with other countries in multilateral action to solve the world's cotton problems. Involved in this solution would be a chance for the United States to regain a reasonable share of its historic world trade in cotton.

WE SUPPLY U.S.A. CATALOGUES

OF PRODUCTS SIMILAR TO
YOURS . . . FROM U. S. A.
COUNTERPART FIRMS

YOU tell us what products and catalogues you are interested in—we obtain and send them to you. You receive from 50 to 200 catalogues per year—also price lists, sample products, sales bulletins, etc. Free descriptive bulletin sent on request.

ESTABLISHED 30 YEARS

CONTINUOUS CATALOGUES SERVICE

Dept. 684 Broadway

New York 12, N. Y., U. S. A.

The Business World

COMPENSATION FOR LIFE INSURANCE

By
CROESUS

IN the brief reference that I made to the Select Committee Report on the Insurance Bill, with particular reference to the joint-minute of dissent of Messrs Tulsi-das Kilachand and G. D. Somani, I could not deal with the all-important question of compensation to be paid to the shareholders of insurance companies. It was more due to consideration of space rather than to a failure to appreciate the importance of this controversial provision in the Life Insurance Corporation Bill as amended by the Select Committee that prevented me from commenting thereon.

The basis of compensation is indicated in the schedule to the Bill and takes into account the method of valuation surplus, the relevant period of valuation, and the percentage of valuation surplus appropriated for the benefit of the shareholders. While, in their minute of dissent, the two members of Parliament have differed from the majority in regard to the percentage of valuation surplus appropriated for the benefit of shareholders and have also questioned the propriety of adopting the average of the last two valuations as a basis for determining the period of valuation, the Indian Insurance Companies Association (I.I.C.A.), Bombay, has concurred on the compensation formula in the Bill and makes the point that, under this inequitable formula, the shareholders of Indian insurance companies showing surplus stand to receive only 42 per cent of the value of their property, while shareholders of other Indian units would not receive even this, or any compensation for that matter.

The Association does not object to the Government formula or the principle underlying that formula, but it does not accept the way in which the authorities have sought to translate this formula into action. As the Association rightly observes, the most scientific basis to arrive at the earning capacity of any life insurance business for the purpose of compensation would be to make an actuarial valuation as on 31-12-1955. It should take into account 1) the business in force on that day (source of earning power in all life insurance), 2) the surplus earning capacity of the business on that day, and 3) the percentage of the surplus to which shareholders of the company concerned are entitled under the terms of any agreement that they may have with the policyholders. For practical reasons, it may be conceded that the Government has not followed the method of actuarial investigations as on 31-12-1955. While appreciating this, insurance companies would not have objected if any other formula adopted by the Government had assured fair compensation to them after taking all the relevant factors into consideration. However, the I.I.C.A. is not satisfied that the formula followed by the Government secures such fair compensation. Thus, it points to the adjustments made in the current position which curtail the valuation of the interests of shareholders, first, by averaging the last two valuations and, secondly, by artificially reducing the allocations of shareholders from 7-1/2 to 5 per cent.

A further injustice to life insurance companies is the provision for compensation in the amended Bill on the basis of average business in force for the six-year period 1950-55. The result is that companies are compensated not on the current basis, as it ought to be, but on the basis of business in force at the end of 1952 or earlier. In actual terms, this would mean compensation on a business of only Rs. 800 crores, as against Rs. 1,020 crores at the end of 1955. It has been estimated by the Association that the extent of reduction arising from this would amount to as much as 21.8 per cent.

Again, instead of proceeding on the basis of surplus earning capacity on the day of acquisition, the amended Bill seeks to compensate on the average rate of surplus earning capacity over the period of the last two valuations. While, to some extent, it may be that such averaging would eliminate chance variations, as the Government claims, it should be pointed out that it overlooks the basic fact in life insurance, namely the steady trend towards increasing quantum of surplus at each successive valuation. The following instances cited by the Association, in order to illustrate the point, are revealing:

Company	Last Valuation	(In lakhs of rupees)	
		Preceding Valuation	
A	16.34	9.67	
B	0.94	0.10	
C	32.87	16.18	
D	1.15	0.59	
E	5.95	1.41	
F	623.32	357.89	

These figures show that the Government's compensation formula takes into account not more than 80 per cent of the earning capacity, on the basis of last valuation alone. Apart from the fact that the surplus earning capacity on 31-12-55 would be much higher than even at the latest actuarial valuation, the proposal to average has had the effect of reducing the compensation unjustifiably to 62.6 per cent.

Another penalty that life insurance companies are asked to bear arises from the move to reduce the percentage of valuation surplus normally allotted to shareholders from 7½ to 5 per cent. According to the IICA, in respect of 43 companies, this would mean a reduction in compensation by as much as a third, that is to 41.7 per cent. Since public memory is proverbially short, it may be worth while recalling here that the maximum provided for under the 1944 Insurance Act (Amendment) Bill was actually 10 per cent that is, the percentage that the companies had been customarily allocating until that time. This was, however, reduced by the then Select Committee to 7½ per cent. But, when this was accepted by the Parliament, it should be noted, there were strong complaints that the reduction would hurt the shareholders unduly. Yet the Union Finance Minister was found arguing the other day that enlightened insurers allotted 5 per cent or less to shareholders! If some companies had done so, it is pertinent to remember that there were certain special considerations that operated in this case. For instance, in their prospectuses or articles of association, there were specific provisions debarring them from allocating a higher amount than 5 per cent. Moreover, after having allotted a smaller amount once, the companies concerned would naturally be reluctant to change the figure, lest such should be misunderstood by the policyholders.

Nor is the 7½ per cent that insurance companies now claim an unreasonable percentage of the valuation surplus that should be allotted to shareholders, or is it higher than what insurance companies in other countries allot. Almost all over the world, the 10 per cent allocation seems to be the accepted normal. In 1955, the largest British insurance company, namely, the Prudential, declared as much as 8 per cent and it was in an apologetic tone that the Chairman of the Company announced that this represented a slight reduction as compared to the previous year! It is also significant that he emphasised the need for regulating the quantum of profit allotted to shareholders "only when the size of the portfolio became abnormally large." But the

size of the portfolio of how many companies in this country is abnormally large? Even in the case of the largest life insurance company in India, this size is comparatively small and the amount received by its shareholders relatively meagre.

Finally, if it is considered fair for the Government with all the advantages of monopoly as a Corporation that it enjoys, to have 5 per cent of the surplus provided under the Bill, it is rather difficult to understand why the compensation to be given to shareholders of insurance companies taken over by the Government should be on a basis lower than their current expectations of future earnings.

The defect of the formula proposed is not only that it reduces the compensation to 41.7 per cent of what the shareholders should reasonably expect to receive on a proper appraisal of the value of the interest as stated above, but also that it fails to give a uniform lead to all companies by ignoring the rate of growth

of business and efficiency of their organisation. The formula thus fails to provide for equity and fairness in compensation between different units.

The targey of the whole matter is that, whatever the compensation that the Parliament may decide upon, there is no appeal under the Constitution against the decision. Unless, therefore, the Parliament takes a reasonable and judicial view in regard to this question, bearing in mind that the compensation, after all, is not to be given out of public revenues but only out of the existing portfolio of contracts to be transferred to the Corporation, there is the grave danger of the legitimate and reasonable claims of shareholders of life insurance companies, who, by the way, are mainly drawn from the fixed income group, being overlooked. The Parliament would do well to remember the IICA's warning that "in the long run only a society where property rights, individual or collective, are honoured can prosper."

AN ELECTION OUTLOOK

By
CROESUS

THE few recent congress reverses in the elections to Parliament, State legislatures and local bodies have rudely disturbed the erstwhile complacency of at least some top-ranking congress leaders. They are not prone to dismiss these merely as a vote against either the merger proposal as in West Bengal or the S.R.C. Report as in Travancore-Cochin, although they do recognise such to have been the predominant determinant. Obviously, it has not escaped their notice that a degree of sullen hostility towards the Congress has lately been developing because of the feeling that it has been hastening rather too fast, however laudable many of their ideas and intentions may be. This hostility is manifesting itself in a queer, but in no uncertain way, that is in this section of the public, which has always been pro-congress and anti-communist, protesting by staying put and not exercising its right to vote at any elections. The curious thing about it all is that, even now, this section has not ceased to be anti-communist, but, in registering its displeasure against the congress, it is helping the communists, albeit unconsciously, to gain strength. If the process goes on for some time, one may find oneself under a communist regime one fine morning in the not too distant future. Surely this is not the desideratum that even those who do not wholly share the congress view are bargaining for. Here then is a peculiar situation about which our politicians and public men must do some fast and furious thinking.

Meanwhile, it is heartening to find that there are already several persons who seem to have begun to give careful and considerable thought to the situation as it has been developing. According to these, it is fatal to allow the anti-communist elements in the country, wherever they may be, to remain sullen and refrain from exercising their franchise. Whatever their differences with the congress, and whether these are justified or unjustified, it clearly does no good to think of spiting the congress in this manner. It should be borne in mind that the harm that might happen to the country if one altogether refrains from voting is decidedly greater than the help that the congress gets by one's voting for the congress. For, while it may not result in victory to a congress candidate, it will certainly enhance the chances of the communists capturing power.

These thoughts apparently have prompted a few farseeing men to sit down and do some serious thinking. The problem as these people see it seems to be one of devising some means whereby the communists and the other extremist leftists are not allowed to exploit the antipathy of a section of the public towards the congress and its consequent apathy to elections. One idea that would appear to have gained fair currency, at least

in circles known to me, is that something must be devised to canalise the votes of all anti-communist elements in the country. How can this idea be translated into action?

There is a suggestion in this connection that, in order to arrest the slow accession of strength that the extremist leftist elements in the country seem to be gaining, another full-fledged political party must be immediately formed, to be called, say, the All-India Democratic Party or the All-India Republican Party. This party would have no specific leaning towards any ideology, save that of realism. Further, the party, it is expected, would, while resisting all attempts of the communists to defeat or overthrow the present government, not necessarily support any and every move of the party in power. One can list quite a handful of such moves, as, for instance, the unwillingness to impose salt tax or the proposal to enforce total prohibition all at once without regard to its financial repercussions, or the contemplated annual tax on wealth and so on. In other words, this new party would be of the earthy, having its feet firmly planted on terra firma. Viewing every case strictly on its merits, this party, while not hesitating to oppose the congress on certain features of a given measure, would not, at the same time, allow itself to be manoeuvred into any false position like associating itself with the communists, especially where the leftists' game is to rout the congress.

If a political party on these broad lines is started, even the congress could have no objection. For one thing, the new party will never be privy to overthrowing the congress party, even if in the opposition; on the other hand, the congress might see a distinct advantage in the advent of such a party, in that it would mean the diversion of votes to this party instead of to the extremist leftist parties, thereby reducing the chances of these latter parties securing the votes and carrying the day. It would also do a wee bit of good to some of our power-drunk politicians who seem to feel that they can get away with almost anything, by reason of the brute majority they have at the Centre and nearly all State legislatures. While there is urgent need to restrain the often unwarranted enthusiasm and hustling of these, there is no less need to prevent the communists from aligning themselves with other opposition parties, on the one hand, and from their systematic exploitation of the apathy of the electorate to seize power, on the other. I hope the Editor of "The Eastern Economist" will not scoff at this suggestion but examine it with a view, first, to focussing public attention and interest thereon and, secondly, to giving it the benefit of the journal's blessings later on, if it can be done.

BUSINESS NOTES

AMENDING THE RESERVE BANK ACT

THE RESERVE BANK AMENDMENT BILL which was introduced in the Lok Sabha last week is important from several view-points. Undoubtedly the most important and interesting provisions contained in the Bill are those which relate to the creation of money supply and credit control. At the present time a fixed ratio of reserves to the total note issue is stipulated under the Act at 40 per cent in foreign securities and gold. In view of the fact that the planned development of the economy involves expansion of money supply and deficit financing has been accepted as one of the means to implement the plan, it has become necessary to remove rigid restrictions on the Reserve Bank's discretion to expand the money supply. As the foreign exchange reserves will assume a tendency to decline under the impact of the plan projects the need to modify the restriction on the volume of note issue gathers force. The amending Bill seeks to replace the fixed ratio of 40 per cent in terms of foreign securities and gold by prescribed minima, namely, Rs. 400 crores worth of foreign securities and Rs. 115 in gold for reserve against the note issue. Revaluation of gold held as currency of reserve at 2.88 grains of fine gold per rupee in place of the present valuation at the rate of 8.47512 grains will alter the value of gold reserve to slightly above the limit of Rs. 115. How high the actual reserve will be raised in practice from time to time will have to be determined on the merits of the situation then prevailing, but the minima that have been fixed represent the absolute safety limits and it seems unlikely that more of foreign securities can be earmarked for the purpose of the reserve. The rising import bill will exert pressure on the ability of the country to increase its foreign exchange earnings or to procure foreign exchange resources otherwise.

As deficit financing goes under way progressively under the second Plan, expansion of bank deposits and their ability to create an increasing volume of credit must follow as logical concomitants. This possibility makes it necessary that statutory provision should be made whereby restraint dictated by considerations of check on inflation could be imposed by the Reserve Bank on bank credit. Under the Act as it now exists the banks are required to maintain a reserve with the Reserve Bank at a ratio of 5 per cent in the case of their demand deposits and of 2 per cent in the case of their time deposits. These ratios are sought to be raised to 5 to 20 per cent for demand deposits and 2 to 8 per cent for time deposits. A great latitude has thus been given to the Reserve Bank to put curbs on in-bank credit when its expansion indicates threat of inflation which may prove intractable after a time. The Reserve Bank has been empowered to direct that after a specified date banks should maintain additional reserves in respect of the increases in their deposits accruing after the date up to a limit of 100 per cent. But in no event are the aggregate reserves to exceed the upper limits of 20 per cent and 8 per cent for the two types of deposits. The ground has been created to employ the technique of credit control within the limits of its feasibility.

EXPORT LEVIES ON EDIBLE OILS

AMONG THE commodities that enjoyed a rising trend in prices till recently, oilseeds probably held the palm; prices of groundnuts, castor, linseed, as also of niger and kardi seeds, had all touched very nearly the highest levels reached two seasons ago. The authorities promptly attributed the rise to speculative excesses. With a view, therefore, to nipping the alleged speculation in the bud, they announced certain

exports levies in respect of linseed oil, kardiseed oil, nigerseed oil, and castor oil. Thanks to these imposts, the price trend in the market turned bearish and the decline in values in most cases wiped off the earlier gains.

But, then, in the wake of the announcement, the plight of shippers has become unenviable. For such of the shippers as had outstanding orders on hand to be executed had to contend with an export duty for which they had not bargained. It was found that the shippers in general stood to lose heavily, and so a delegation of exporters from Bombay waited on the Union Government and strongly pleaded for an exemption of these levies at least in respect of outstanding business. The Government, however, argued that it was not prepared to change its policy for the sake of a few individuals. It pointed out that the shippers had themselves to thank for having created such a situation; they were told it was their duty, in the first place, to have covered their requirements adequately.

Failing in its mission to persuade the Government thus, the Bombay oilseeds representatives returned from here. Meanwhile, reports had already gained currency in market circles that the British Board of Trade would soon send a mission to New Delhi in order to persuade the Government of India to exempt at least outstanding commitments from the mischief of export duties. It is doubtful if the Board of Trade in Britain would have agreed to do this. Even if it did, it is doubtful if it would achieve any more success than what its Indian counterpart did. Apart from the fact whether the British trade mission would at all be provoked into taking such a step even as a result of persistent pleas from traders in this country to their clients in the UK, the presentation of the case the British way is hardly likely to change the Union Government's attitude to this question. The authorities have apparently made up their mind that on no account must prices of edible oils be allowed to go up. It is not that they do not know that heavy export duties might mean no exports at all, but they are not worried about it. In fact, they might even welcome it, if only because of the tight domestic supply position today.

True, this would upset the foreign exchange budget of the second Plan to some extent, but who could foresee the contingency as has developed now? It is because the Plan rests on several such imponderables and unforeseens that many consider it to be somewhat unrealistic, even when realising it to be quite desirable and necessary in the existing circumstances.

BOMBAY FINANCIAL CORPORATION

THE THIRD year of its working shows that the Bombay State Financial Corporation is getting into the stride to perform the functions with which it is primarily charged. The investment portfolio of the Corporation is considerably reduced and funds have been utilised increasingly for payment of loans to medium and small industries. Total loan commitments have exceeded the issued share capital and the question of enlarging the resources is now under consideration. Rs. 62.71 lakhs have already been disbursed to borrowing industrial concerns and this together with the firm commitments of loans of Rs. 25.44 lakhs takes the total value of loan transactions to Rs. 88.15 lakhs. Repayment, in respect of which no defaults have occurred so far, has brought back Rs. 2.25 lakhs.

There was a carry-over of 66 applications for loans from the previous year. Fresh applications during the year under review ended 31st March, 1956 were lower

at 56. The rate of disposal, assessed with reference to the number of applications, shows quicker speed. In all, 39 applications were sanctioned, 11 were rejected, 49 were otherwise disposed of and 23 were pending investigation. It will thus be seen that about 60 per cent of the applications fell under the category of those otherwise disposed of. This means mainly their reference to the State Department of Industries for assistance under the now liberalised State Aid to Industries Rules. Under this scheme loans are made available up to Rs. 50,000 for a period extending to 10 years. It is likely that part of the applications so referred deserved loans in excess of Rs. 50,000 since their requests ranged up to Rs. 75,000. But the most attractive and compensating factor was the low rate of interest at 3 per cent per annum. This rate is half of the rate of 6 per cent charged by the Corporation on its loan. In his annual speech delivered on May 7 last, the Chairman of the Corporation has explained its inability to lower the rate which is considered by some as too high for the class of borrowers. The guarantee of dividend at 3½ per cent and the prevalence of high market rates are the main causes responsible for the Corporation's rate.

The prudential management of the Corporation is reflected in the final results of financial working. During the year April 1955 to March 1956, it earned a net profit of Rs. 3.55 lakhs. Priority appropriation went to the Statutory Reserve Fund which was allocated Rs. 20,000. A significant feature of the Corporation's developing pattern of finances is the setting up of a Reserve for Bad and Doubtful Debts which was granted an initial allocation of Rs. 20,000. Rs. 4,500 were transferred to the Investment Reserve Fund which are adequate for its changing size in view of the diversion of funds to payments on account of loan instalments. The joint request of the State Financial Corporations to the Government of India for exemption from payment of income-tax and super-tax for at least the first five years has been turned down. In consequence, the Bombay Corporation set aside Rs. 1.50 lakhs for income-tax and had to ask the State Government for a subvention of Rs. 1.89 lakhs to meet the obligation of the dividend at the guaranteed rate of 3½ per cent.

ENGINEERING INDUSTRIES AND GOVERNMENT PURCHASE

IF THE engineering industries take a vital interest in the Government's stores purchase policy, there is no reason whatever to regard this attitude as a sign of their weakness. Its propriety is amply vindicated by the fact that nearly half of the purchases made on Government account at the present time are composed of the products of these industries. A plea has been made by Mr. A. Rajagopalan in his presidential address at this year's general meeting of the Engineering Association of India to grant representation to these industries on the forthcoming Purchase Advisory Council. A choice in this behalf acceptable to a large section of the engineering interests would prove difficult inasmuch as no less than thirty different associations of these industries are functioning at present. It is for them to bring about integration on a federal pattern to seek unified representation and to make their voice heard.

It is one of the demands advanced on behalf of the Association that they should be offered rate contracts for long-term periods which would ensure stability of production and employment of capacity on a continuous basis. In that event, however, new entrants or those who are not approved for award of first contracts stand the risk of being kept out over long periods. The industries have asked for progress payments in long-term contracts. This request seems realistic in view of the problem of raising resources when production is to be channelled in a fixed direction.

Since orders are expected to be scattered over a number of producers, the administrative burden in following up progress of work and in making disbursements will necessarily increase. Relaxation of terms of delivery in case of non-compliance due to reasons for which strict responsibility cannot be fixed on the producer, such as, for instance, delays in transport or in release of controlled materials, would appear to be a reasonable demand. But when the Association makes a request for pooling of Central, State and quasi-Government orders for small supplies to accommodate the units in these industries, it underestimates the feasibility of the proposal on a nation-wide scale particularly from the angle of the small size of the orders and the multiplicity of supplying units.

NEW PEAKS FOR PUNJAB NATIONAL BANK

THE YEAR of Diamond Jubilee—1955—was a year of fresh records in the working of the Punjab National Bank. New peaks were achieved in important spheres. The Bank's profit reached the all-time high of Rs. 69.40 lakhs. This includes an element of the previous year's carry-forward of about Rs. 5 lakhs. It compares with the profit of Rs. 56.86 lakhs in 1954 and Rs. 41.79 lakhs in 1953. The total dividend for the year reached the level of 14 per cent per annum.

Analysing the working of the bank in its 60th year, Mr. S. P. Jain, the Chairman, has invited particular attention to the trends in deposits. It goes without saying that these trends exhibit a marked upward course. Deposits went up during 1955 by Rs. 15 crores to a total of Rs. 90 crores. Taking this indicator of public confidence in the vitality and efficiency of the Bank, the management is entitled to take legitimate credit for the position which it has carved for itself vis-a-vis other scheduled banks. As against an increase of 8.8 per cent in the deposits of other scheduled banks in 1955, the increase in the Punjab National Bank's deposits was more than double at 19.1 per cent. This record surpasses the previous year's difference of 50 per cent. It is hardly to be expected that in any review of banking in the last year an anxious reference to the increasing toll of interest rates on deposits can be ignored. In addition to the impact of the general scramble for deposits among the scheduled banks, Mr. Jain has drawn attention to the effect of the shift in the policy of exchange banks in pursuance of which they are leaning more heavily on the Indian market for funds than on their resources at home. Total deposits of exchange banks showed an increase between 1948 and 1955 of the order of Rs. 45 crores as against the increase of Rs. 35 crores for the Indian scheduled banks. More precisely, in terms of percentages these increases are of the order of 27.1 per cent and 4.4 per cent respectively. The steep rise particularly in the UK Bank Rate is an important factor in this shift in policy.

The total working capital of the Bank increased by Rs. 21 crores to Rs. 112.89 crores in the last year. Loans and advances etc. reached the level of Rs. 42 crores showing an increase of a little less than Rs. 10 crores. There has been an improvement in the foreign exchange business of the bank. The liquidity ratio has been maintained at a satisfactory level. A remarkable feature of last year's progress of the bank was the opening of 13 new offices which takes the total number of the branches to 326. This expansion in branches is to be pursued steadily in the immediate future. The issued capital of the bank is sought to be raised by Rs. 37.5 lakhs in the form of bonus shares to be allotted in the proportion of 3 bonus shares for existing 7 shares. Since this issue is to come out of the premia received from shareholders, official sanction should not prove difficult and besides the issue is expected to be free from income tax.



Partners in Progress

ONE OF the most important developments in Indian industry is the new aluminium smelter going up at Hirakud, Orissa. Designed and constructed by the Canadian consultants of Indian Aluminium Company, this 10,000 ton smelter will embody the latest advances and techniques developed in their

world-wide research activities. Canadian money, too, will share the costs of this project, to finance a part of which Indian Aluminium Company proposes to issue new capital. The Hirakud smelter will be yet another milestone in the history of this Canadian-Indian partnership of progress.

Indian Aluminium Company Limited

A Canadian-Indian Enterprise

COMMODITY NEWS AND NOTES

WORLD WOOL PRODUCTION IN 1955-56

Total production of raw wool in the free world in the 1955-56 season is now estimated at some 4,037 million lbs. (greasy basis), or 4 per cent more than the revised 1954-55 figure of 3,885 million lbs. The greater part of the increase was due to larger clips in Australia and New Zealand. Estimated world production at 4,840 million lbs. (greasy) was up by 5 per cent on the previous season, since the estimates for the Soviet Union, supplied by the United Nations Economic Commission for Europe also show a marked increase.

On a clean basis, world production in 1955-56 is estimated at some 2,730 million lbs. compared with just over 2,600 million lbs. in the previous season. The main increase is again expected to be in merino production (up by 6½ per cent), with crossbred and other types showing smaller rises.

TEA PROSPECTS

As consumption in India is steadily expanding, while stocks overseas, particularly in the UK, are comparatively low, offsetting the carry-forward of the 1955 North Indian crops, prospects of the tea industry during the current season seem to be brighter than they were a year ago. The world tea production in 1955 at 1,251,200 lbs. showed an increase of 20,000,000 lbs. while consumption advanced by about 3,200,000 lbs.; India, Pakistan and adjoining countries being the principal areas of expansion.

Such an assessment might be considered erroneous in view of a carry-forward of about 55,000,000 lbs. of the 1955 North Indian crop on April 1, 1956. However, it should be noted that overseas buyers, particularly those in the UK, had purchased some 55,000,000 lbs. more than was required and they were faced with heavy financial losses when the market fell in 1955. This, combined with the growing credit squeeze, resulted in U.K. imports of tea in the past 12 months falling by 95,000,000 lbs.

In consequence, while consumption showed little change, stocks in the UK have in recent months steadily declined and are at a fairly low level. Viewed in this context, the carry-forward of 50,000,000 lbs. with producers in India loses much of its significance and should not be considered an unwanted surplus.

TEA OUTPUT IN CEYLON

Tea production in Ceylon showed marked decline in first three months, compared with the corresponding period of last year. Production figures officially released showed March 1956 production to be 32.4 million lbs. compared with 43 million lbs. in March 1955. Production during the first three months this year totalled 84.4 million lbs. compared with 103.5 million lbs. during the corresponding period of last year. The decline in production this year is attributed to the adverse weather conditions, especially drought in mid-country and frost in up-country areas.

FINAL ESTIMATE OF MAIZE

According to the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture, the All-India Final Estimate of Maize for 1955-56 puts the current year's area and production at 8,909,000 acres and 2,519,000 tons as against the partially revised estimates of 9,311,000 acres and 2,939,000 tons for 1954-55. This shows a decrease of 402,000 acres of 4.3 per cent in area and 420,000 tons or 14.3 per cent in production. The overall decrease in acreage during the current year has been shared mainly by Bihar, Uttar Pradesh and Rajasthan and has been attributed to unfavourable climatic conditions at the time of sowing. This decrease in acreage has, however, been offset to some extent by increases registered mainly in Bombay and Punjab, and to a lesser extent in Jammu and Kashmir, Madhya Bharat and Ajmer.

rease in acreage has, however, been offset to some extent by increases registered mainly in Bombay and Punjab, and to a lesser extent in Jammu and Kashmir, Madhya Bharat and Ajmer.

GOVERNMENT OF INDIA'S WOOL POLICY

The All-India Wool Trade Federation has again complained against the raw wool export policy for the April-September 1956 period. Taking objection to the cut of 10 per cent in the allotment of quotas to established shippers from 45 per cent to 35 per cent the Federation has said that this is particularly unjustified inasmuch as even the previous allotment for the half-year ended March 31, 1956, was unsatisfactory. According to the Federation, the disappointment of the trade over this is all the greater because it had anticipated a more liberal policy this time in view of the sufficient scope for the same. In support of the claim for liberal exports, it is said that though 33 million lbs. of wool was allowed for export during the October 1955-March 1956 period, only about 15 million lbs. were actually shipped during the period. Again the fact that the average annual export during the last eight years has not exceeded 27 million lbs., is cited to prove that unlike cotton, oil, oilseeds, etc., wool cannot be exported in unlimited quantities within a short time. In the circumstances it is contended that export of wool must be either allowed free, or the annual ceiling should be fixed at 35 million lbs.

WORLD'S NATURAL RUBBER OUTPUT

A report by the Special Rubber Committee of the office of Defence Mobilization said that world production of natural rubber in the year 1950-54 averaged 1,813,000 long tons a year. There was no upward trend during this period. Production in 1955 was less than in 1954, even though prices were high enough to encourage maximum output. It said that at most only a small overall increase in production seems possible up to 1960, though high prices could push production up. Replanting would continue in Malaya, Ceylon and other areas. Production as high as three million long tons annually in the near future is not beyond the range of possibilities.

COFFEE PRODUCTION

Latest reports are that coffee production in India has reached an all-time record this year. The quantity being about 30,000 tons. It is expected that the final figure at the end of the current season may well exceed 32,000 tons. This figure is very near the target set for the second Five-Year Plan. The export prices in recent auctions have been encouraging enough being roughly twice the internal price at Rs. 420 a cwt. While the high prices in the world market in recent days may be partly attributed to Brazil's action in withholding three million bags, the supply position in the internal market is fairly comfortable.

U.K. COFFEE SITUATION

Britain's consumption of coffee is steadily going up the latest figure 633,823 cwt. for 1955. It was 543,653 cwt. for 1954 and 499,103 cwt. for 1953. The swing to coffee is quite marked in certain special groups according to a survey that was recently made. Tea which is still the principal beverage in UK suffered somewhat from the public resentment developed out of the 1954 high prices as Americans felt about coffee prices in the same year. The April showers are reported to have been good for coffee and the prospects of the next season are likely to influence the Board to take a more optimistic view of exports. A further quantity may be allowed to export during the course of this year, probably up to 8,000 tons if the June estimate for the season justified it.

Company Meeting

THE PUNJAB NATIONAL BANK LTD.

Speech of Shri S. P. Jain, Chairman, at the 109th Ordinary General Meeting held on Thursday, the 26th April, 1956

Gentlemen,

I have great pleasure in welcoming you all to the 109th Ordinary General Meeting.

1955 has been a year of great significance in the history of your Bank. The institution completed 60 years of its useful service to the country and this historic occasion was celebrated on a national scale. Messages of blessings and good wishes were received from the Prime Minister, the Vice-President, Governor, Reserve Bank and heads of large banking institutions in India and abroad, as well as from the innumerable constituents of the Bank. The celebrations were in a manner befitting the prestige and reputation of your Bank and with all these blessings and good wishes I have confidence that the Bank will continue its march forward increasing its service and value to its constituents and the country.

BALANCE SHEET, 1955

The Report of your Directors and Audited Statement of Accounts giving the working results of the Diamond Jubilee year are already in your hands. The Accounts for the year show a record profit of Rs. 69.40 lakhs, including the sum of Rs. 4.99 lakhs brought forward as against a profit of Rs. 56.86 lakhs in 1954

and Rs. 41.79 lakhs in 1953. After the transfers—Rs. 11 lakhs to taxation, Rs. 24 lakhs to Contingency Reserves, Rs. 5 lakhs to General Reserve, Rs. 13.5 lakhs for bonus to staff and Rs. 1,30,000 for gratuity to staff and charity, the Board has proposed a final dividend of Rs. 2 per share in addition to the interim dividend of Rs. 1-8 declared on 1st September, 1955. This raises the rate of dividend to 14 per cent per annum. I am sure you will agree with me that the results of the year under review are satisfactory.

Deposits: The Jubilee year has recorded increase in the total working capital by Rs. 21 crores from Rs. 91.16 crores in 1954 to Rs. 112.89 crores in 1955. During the last five years the total assets have nearly doubled. The Deposits of your Bank increased from Rs. 75 crores to Rs. 90 crores during the year. The rise in our deposits in 1955 was 19.1 per cent against 8.8 per cent in the case of other Scheduled Banks as compared to 15.82 per cent against 10.85 per cent 1954. It is noteworthy that the rate of increase in our deposits which in 1954 was nearly 1½ times of that of other banks became nearly double in 1955. The results of the first quarter of the current year give us the confidence that our progress at a higher rate will be maintained. We have also enlisted a larger number of new depositors as is evident from the following table.

NUMBER OF DEPOSIT ACCOUNTS

Nature of Deposits	All other scheduled banks			Punjab National Bank		
	June '53	June '54	June '55	June '53	June '54	June '55
Demand Deposits	8,93,424	8,93,310	9,08,069	1,05,625	1,05,371	1,03,931
Savings Deposits	17,70,802	18,45,532	19,23,598	2,35,117	2,48,550	2,71,402
Time Deposits	2,88,162	3,07,562	3,40,341	40,796	46,736	57,659
Total	29,52,388	30,46,404	31,72,008	3,81,528	4,00,657	4,32,992
Per cent increase over June 1954			4.12			8.07

One point that is engaging the attention of all banks in the country as is evident from the speeches of the Chairmen of different banks is the rising cost of money. A study of this question reveals that this feature is due to the change in the pattern of deposits arising out of two reasons. From semi-urban and rural areas where new business is developing deposits are secured more in the shape of fixed and savings fund than as current accounts. This tends to raise the portion of higher-interest-bearing time deposits and

increases the average cost of money to banks. The second and more important factor is the unhealthy competition among banks in large cities, especially ports. The banks are offering interest at substantial rates for call money on large amounts. This trend has been encouraged especially due to higher cost of money prevailing outside India. The consequent shift in deposits that is taking place is evident from the following table.

(In crores)

Year	Demand Deposits		Time Deposits		Total Deposits	
	Indian Scheduled Banks	Exchange Banks	Indian Scheduled Banks	Exchange Banks	Indian Scheduled Banks	Exchange Banks
(a) 1948	533	130	262	35	797	166
(b) 1955	483	136	349	75	832	211
(c) Increase or decrease	-50	+ 6	+ 87	+ 40	+ 35	+ 45
(d) Percentage of (c) to (a)	-9.7	+ 4.6	+ 33.2	+ 114.3	+ 4.4	+ 27.1

I request the Reserve Bank of India to carefully consider ways and means to suitably deal with this development.

Liquidity: The liquidity position is very satisfactory. Our liquid assets consisting of cash on hand amounting to Rs. 8,35,89,262, balance with other banks Rs. 81,55,186, money at call and short notice Rs. 10,67,420 and investments in Government and Trustee securities, Rs. 44,41,88,690 total Rs. 53,70,00,558 which forms 59.59 per cent of the total deposits. The Bills purchased and discounted amounted to Rs. 7,64,69,766. When these are added to the other liquid assets, the total comes to Rs. 61,34,70,324 which is 68.07 per cent as compared to 60.53 per cent in the case of other scheduled banks.

Loans: During the year under review, loans and advances including bills increased by Rs. 9.62 crores to Rs. 42.02 crores. The percentage of our loans to deposits is 46.63 as against 63.34 of other scheduled banks. There is thus a good margin for us to develop further to bring ourselves to the level of other scheduled banks.

For the past two years we have been expanding our foreign exchange business. There still remains large scope for improvement and expansion. Bill business expanded considerably. Bills purchased and discounted were Rs. 7,64,69,766 against Rs. 4,71,31,112 of the previous year.

You will recall that I mentioned at the last meeting about opening of new offices in suitable places. This programme was implemented after necessary detailed surveys. Thus, during the year 13 new offices were opened increasing the number of branches from 313 to 326. We have a programme of opening new branches in the current year almost on the same scale. We are taking steps to see that proper personnel with suitable qualifications and experience are available to man these branches.

BONUS SHARES

Your Directors have decided to issue three bonus shares against existing 7 shares of the total aggregate value of Rs. 37.5 lakhs raising the issued capital from Rs. 87.5 lakhs to Rs. 1,25,00,000. This issue is proposed against premium money received from shareholders. Application in this regard has been made to the Controller of Capital Issues. It is gratifying that in the speech of the Finance Minister amending the taxation proposals he has appreciated the difference between bonus shares issued from accumulated profits and those issued against share premia which are but receipts of capital from the shareholders themselves. The acceptance of this distinction ensures that this issue of ours will not be subjected to any tax and encourages us to hope that the requisite permission from the Government will be forthcoming soon. It is also a matter for satisfaction that the Finance Minister has rightly allowed inclusion of share premia in the capital base for purposes of dividend tax. Your reserves including Rs. 5 lakhs now transferred will stand at Rs. 60 lakhs. With the rising earning capacity of the Bank, it will be possible to transfer without disturbing dividends larger amounts to Reserves and to build them up to Rs. 1½ crores equal to the paid-up capital after the issue of bonus shares. This increased capital structure will give the Bank a much wider and stronger base. I am sure that this step will be welcomed both by the shareholders and the depositors.

You will naturally expect me to make some observations on the general economic trends in the country. I shall deal with some aspects relating to banking and national development.

BANKING FOR DEVELOPMENT

We have finished a phase of development and are on another phase of greater activity for building up our economy. We can look back with legitimate pride that the past few years have been full of fruitful activity and our achievements were amply reflected in the stability and generally buoyant trends that came to prevail in the economy. There was phenomenal rise in the deposits of banks from the stagnant figure of Rs. 850 crores in 1953 to Rs. 1022 crores in 1955. Government borrowing expectations were exceeded by 50 per cent. After the serious debacle in 1946, it was probably for the first time that a number of new industrial flotations were launched with great success. In 1955, consent for raising as much as 127.7 crores of rupees was given by the Controller of Capital Issues. The investing public started taking greater interest in the activities of the old and new Companies.

The developments in the early part of the current year, however, caused a set-back. Nationalisation schemes, prospects of heavy taxation and the policy of expanding State sector diverting resources from the people's sector to that of the State and the uncertainty regarding supply of goods consequent on the bias in favour of developing small-scale and cottage industries restricting the development of large-scale industries all cumulatively contributed to dampen the buoyancy and the spirit of confidence. The combined efforts of the different sectors of the economy are required for the tremendous venture of nation building that we are embarking upon. It cannot be gainsaid that the achievement of the desired development, with the rapidity that is essential, would depend on the allotment of the resources in proportion to the ability of the sectors to effectively contribute to such development. It will be a sad mistake if the enthusiasm that has been raised is caused to be deflated by policies that have largely an ideological bias.

DEPOSITS AND CURRENCY CIRCULATION

Banks are effective instruments as structures of credit to support expanding activity. Development of banking is, therefore, an important factor. If we analyse details of notes in circulation and the deposits of banks, we find that during the years 1954 and 1955 the deposits of banks have gone up at a much higher rate than during the earlier years. The notes in circulation have greatly increased since. However, the ratio of deposits to the notes in circulation has declined. During the war years, there was expansion of currency on a much larger scale. Due to the general scarcity of goods and difficulty of securing imports, there were larger savings and the banks increased their deposits. From the year 1943, there was an upward trend in deposits. The percentage of deposits to notes in circulation was as much as 86.6 in 1946. But it declined to 74.5 in 1953 and is only 70.4 at the present time as will be seen from the following table.

		Notes in Circulation	Deposit liab- lity of Scheduled Banks	Col. 2 as % of Col. 1
Last Friday	(1) (Rs. Crores)	(2) (Rs. Crores)		
1946	..	1225	1061	86.6
1953	..	1125	838	74.5
1954	..	1200	932	77.7
1955	..	1362	1022	75.0
6th April, 1956		1507	1061	70.4

The increase in deposits in 1954 was 94 crores against increase in notes circulation by 75 crores thus

registering a ratio of 125 per cent. In 1955, the ratio is only 56 per cent. As against an increase in note circulation of the order of Rs. 162 crores, the increase in deposits was Rs. 90 crores. The trend in the first quarter of 1956 is still lower. Against an increase of Rs. 145 crores in note circulation, the deposits have increased by only Rs. 39 crores. The ratio is thus only 27 per cent. This trend indicates that the rise in deposits in the coming years will be anything like 40 to 50 per cent. It is not likely to be on the scale of the war years when the increase in deposits was very nearly equal to the increase in note circulation. With this low velocity of money the inflationary pressure of deficit financing will be much less. Any pressure that will be felt will only be in respect of cloth and food grains.

DEFICIT FINANCING AND INFLATION

In the context of larger doses of deficit financing, fears are expressed about inflationary trends showing themselves. But the price trends as they are do not lend any strength to such fears. Any increase in prices that has taken place is mostly in food articles and industrial raw materials of agricultural origin. In the former category, there has been a rise in the prices of both cereals and pulses. The rise in prices is to an extent attributable to the increase in taxes especially sales-tax. Further, prices are high in the off-season and the level is brought down with the arrival of new crops. It is also necessary to remember that prices had been hammered down last year on account of the accumulation of stocks of food grains with the Government and the phenomenal increase in agricultural production in the country in 1953-54. Support schemes had to be introduced and prices had to recover to more economic levels. A part of the rise in prices must, therefore, be regarded as corrective. It is thus important that the meaning of the rise in prices should be clearly understood and there should be no efforts at restriction of consumption. On the contrary, the level of consumption should go up in the country as that alone will encourage production and help build up a healthy economy and better life for the people. So far as the agricultural situation is concerned, I do not feel there should be any fear of a repetition of the experience prior to 1952. Large areas have been brought under irrigation in 1954-56 and there is ample evidence to suggest that the efficiency of agriculture has tended to increase. Food production can be expected to rise significantly and it may happen that the records of 1953-54 will be easily surpassed in many cases. If, however, due to fall in agricultural production on account of adverse weather conditions, prices rise, it will not be due to inflationary factors. The situation must be met by adequate imports. If production of cloth is maintained as also such other essential materials as cement, steel, etc., a healthy process of larger consumption and larger and added variety in production will evolve itself and there will be no risk of the increased rate of deficit financing creating inflationary trends in the economy. However, the Government policies, economic and fiscal, must be such as to leave resources and enable their utilisation in productive channels so that inflationary tendencies have no chance to develop.

NEED FOR CORRECT REVENUE ESTIMATES

In this connection, an analysis of the budget estimates and actuals for the last five years reveals that Government have underestimated revenues and efforts have consequently been directed towards drawing larger resources to the Government sector. The following table shows that against an anticipated deficit of Rs. 2.43 crores there was actually a surplus of Rs. 221.34 crores in 1951-56.

Year	Budget Estimates (Crores)	Accounts (Crores)
	Rs.	Rs.
1951-52	.. + 26.10	+ 128.09
1952-53	.. + 3.73	+ 38.93
1953-54	.. + 0.45	+ 8.50
1954-55	.. - 15.36	+ 33.51
1955-56	.. - 17.35	+ 12.31
		(revised)
TOTAL	.. - 2.43	+ 221.34

Considering the actual surplus each year during 1951-56, it will be correct to assess that the total savings from current revenues of the Central and States Governments would be over Rs. 700 crores against the estimate of Rs. 573 crores. In the second Plan, the savings from current revenues are estimated at Rs. 800 crores. Out of this Rs. 350 crores will be derived from the existing taxation and Rs. 450 crores from additional taxation. Obviously, this is an underestimate as the buoyancy of revenues will be very much more in the coming years. Tax revenue has increased from Rs. 405 crores (including State's share of divisible taxes) in 1950-51 to Rs. 483 crores in 1955-56. In 1956-61, the increase in tax revenues will be much more pronounced. By 1960-61, on the basis of the existing taxation, a total of Rs. 610 crores is estimated to be secured while the additional taxes that have been proposed this year for Rs. 36 crores will fetch more than Rs. 50 crores by 1960-61 and take the total of tax revenues to Rs. 660 crores. Taking these into consideration the total savings from current revenues should be expected to be as much as Rs. 950 crores. It needs no emphasis that a correct appraisal of the possible revenue receipts should be made. If more money is gathered towards the Government sector, the effort of the private sector is stultified as it is deprived of resources that could be utilised to greater advantage by it in achieving expanding production to counteract inflationary forces. As I suggested earlier, the allocations should be made according to actual performance and capability. It is also necessary to achieve results quicker in production so that inflationary forces can be kept in check.

EMPLOYMENT

This takes me to the question of employment that is sought to be provided in the second Five-Year Plan period. This is a problem of vital significance to the whole economy and I would, therefore, like to refer to certain details. It is envisaged in the Plan to provide employment to 8 million people by an expenditure of Rs. 7,100 crores, i.e., employment will be provided for 1,10,000 persons per Rs. 100 crores roughly. Towards this end, labour intensive developments are lent powerful support. General estimates have been made of the amount of employment that cottage and small-scale industries and other fields of activity could provide against the investments proposed. The details of employment potential, however, seem to disprove the commonly held view in respect of cottage and small-scale industries.

ESTIMATES OF EMPLOYMENT POTENTIAL UNDER THE SECOND FIVE-YEAR PLAN

(In lakhs)

	Invest-ment (Rs. crores)	Direct employ-ment	Cons-truction	Trade & Commerce & Social Services	Total employ-ment
Irrigation & Power	398	0.51	3.72	2.10	6.33
Railways	900	2.53	(	—	(
Other Transport and Communications	484	1.80	(	1.27	(5.60
Industries & Minerals	1290	8.00	4.03	6.00	18.03
Cottage & small-scale industries	400	4.50	0.45	0.63	5.62
Others (Fisheries, Forestry, Education, Health, etc.)	3128	13.65	11.53	18.26	43.45
TOTAL	7100	30.99	21.00	27.04	79.03

The investment proposed in cottage and small-scale industries is about Rs. 200 crores. It should be expected that a similar amount would almost certainly be invested by the people. Against this total of Rs. 400 crores of investment, the employment possibility visualised is 4.5 lakhs. To this may be added at the most 25 per cent by way of additional employment under

Trade and Commerce etc. totalling to 5.62 lakhs. The investment envisaged in the large-scale industries in both private and public sectors is of the order of Rs. 1,290 crores. The direct employment potential in this field according to estimates in the Plan is 18 lakhs. These figures indicate that cottage industries do not provide any larger level of employment and proper investment on industries with modern techniques and of diversified character will provide equally large employment. This is an analysis significant from the point of view of the pattern of investment that must be pursued in order to achieve the objectives that we have hopefully laid before ourselves. It must be borne in mind that cottage industries do not contribute to the revenues for social services, etc., unlike large-scale industries whose contribution is very large. The subsidy that is required to be provided to prop up cottage industries is an additional drawback. Further, cottage and small-scale industries will provide employment but not employment that will afford an increasing standard of living. Large-scale industries will provide employment and give the means for increasing standard of living.

Banks in India have a growing role to perform in the national economy. Your Directors are devoting all their efforts in this direction to see that your Bank is organised into a perfect mechanism devoting itself to the service of the people. The employer-employee relations in your bank have been comparatively happier. I must express my thanks to all our worthy constituents for their continued co-operation and confidence. I extend my thanks also to the Officers and Staff at all levels who have contributed to the fulfilment of the common task.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

		Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
		Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48	..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49	..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50	..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51	..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52	..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53	..	357.8	436.9	343.8	371.2	614.1	380.6	90.4	100.6	87.3	95.6
1953-54	..	384.4	467.7	359.2	367.4	686.6	397.5	90.5	100.7	88.4	113.0
1954-55	..	339.8	436.2	350.3	377.3	612.4	377.4	..	..	..	..
June 1955	..	281.8*	390.4	329.7*	370.0	567.4*	342.5*	90.8	100.6	87.5	113.2
July	..	309.7*	408.1*	329.6	370.9*	562.6*	355.6*	90.9	100.7	87.8	117.9
August	..	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.8	122.8
September	..	313.0	396.1	324.8*	368.8	556.3	353.2	90.9	100.7	87.2	122.8
October	..	315.7	403.7*	329.8	371.2	559.3	357.2*	91.0	100.7	87.2	124.5
November	..	326.5	418.9*	338.1	373.3	543.3*	365.0*	91.0	101.0	87.7	120.9
December	..	323.7*	438.3	346.6	373.0	544.2	368.4	91.0	101.0	87.7	130.6
January 1956	..	333.4*	454.2*	353.5*	375.2	540.0*	376.0*	91.0	101.0	87.3	125.7
February	..	335.3	464.6*	355.8	375.3*	529.1	378.4*	91.3	101.1	86.7	121.0
March	..	351.6	475.6	369.3	374.8	508.1	387.3	90.9	101.1	85.8	122.0
Week Ending	..	362.9	484.6*	374.8	373.9*	494.3	392.8	90.9	101.1	85.8	123.6
24-3-1956	..	358.8	477.9*	375.0	373.4	494.1	390.2	90.9	101.1	85.7	124.4
27-3-1956	..	364.9	472.9	373.8	375.8	495.5	392.2	90.9	100.9	85.7	124.4
7-4-1956	..	360.9	471.0	375.1*	375.5*	496.0	390.5*	90.9	100.9	85.6	123.0
14-4-1956	..	361.3	475.4	378.4	375.8	496.5	392.1	90.9	100.9	85.4	122.4
21-4-1956	..	..	..	..	..	..	..	..	..	..	..

* Average of weeks.

* Revised

† Reserve Bank Series.

† Economic Adviser's Series.

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS (August 1939=100)

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	136
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	276	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	323	371	364	133	321	134	135	132
1955 June	317	333	211	123	317	347	359	131	311	131	129	130
July	324	340	224	129	325	371	364	136	316	134	134	132
August	325	341	229	134	329	375	367	137	318	136	138	134
September	317	333	224	133	327	373	367	133	322	138	137	132
October	315	331	225	134	334	385	369	134	323	139	139	134
November	314	330	229	136	339	392	369	138	327	144	141	135
December	316	332	230	140	329	393	375	143	334	148	141	135
1956 January	318	334	226	139	—	404	—	—	334	—	—	133
February	321	337	224	137	—	394	—	—	333	—	—	—
March	334	350	230	—	—	398	—	—	—	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	5-5-1956			28-4-1956			21-4-1956			14-4-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	106-10	105-1	106-2	107-0	105-10	106-5	106-1	105-3	105-8	106-4	104-5	105-6
Silver (per 100 fine tolas)	183-12	179-10	182-3	182-11	180-5	181-9	181-6	177-6	180-1	181-3	178-10	179-14

JUST OUT INVESTORS ENCYCLOPAEDIA 1955-56 EDITION

Contains Exhaustive particulars of almost all Limited Companies whose shares are actively dealt in the principal Stock Exchanges in India.

All particulars at a glance with provision of Thumb Index. Very valuable for all connected with Stock Exchanges and for Company Executives.

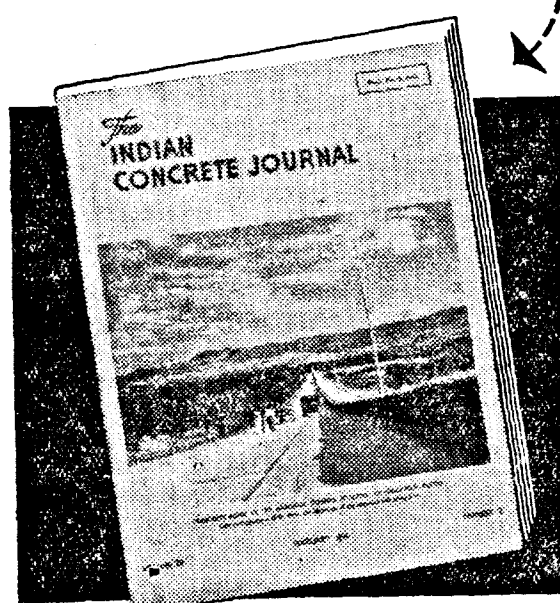
Price Rs. 20/-.

Postage Rs. 3/- Extra.

Copies available with all leading Book Sellers or directly from

KOTHARI & SONS.
"Oriental Buildings",
P. B. No. 267,
MADRAS-1.

**ARCHITECTS
ENGINEERS
CONTRACTORS &
P.W.D. OFFICERS**



THE INDIAN CONCRETE JOURNAL

keeps you abreast of the latest developments in cement-concrete and concrete engineering.

The high standard of its technical and semi-technical articles, the wealth of practical and usable information contained in every issue make THE INDIAN CONCRETE JOURNAL indispensable to men who matter in the building and allied professions.

ACC

ORDER FORM

The Manager
"The Indian Concrete Journal"
Cement House, 121 Queen's Road, BOMBAY I

Please send me THE INDIAN CONCRETE JOURNAL for one year. *I have remitted Rs. 9/- by cheque/P.O./M.O.

Name _____

Address _____

(In block letters)

* (Burma, Ceylon & foreign subscriptions Rs. 12/- post free). Bonafide engineering students and student members of the Institution of Engineers (India) may obtain "The Indian Concrete Journal" at Rs. 4/8/- per annum. Particulars on application.

SISTA'S CMI-335

Printed and Published by Devi Prasad Sharma at the Hindustan Times Press, "The Eastern Economist" Ltd., 52, Queensway, New Delhi. Editor—E. P. W. da Costa, M.A. (Oxon.)

The Eastern Economist

VOL. XXVI. NO. 20.

NEW DELHI: MAY 18, 1956.

ONE RUPEE

CONTENTS

	Page		Page
Leading Articles:		Special Articles:	
INDIA'S SECOND FIVE-YEAR PLAN ..	765	A CHAIN REACTION IN AGRICULTURE? ..	781
PROPERTY AND HINDU WOMEN ..	767	GROWTH OF CO-OPERATIVE FARMING IN POLAND—II ..	782
MAPS AND SECURITY ..	768	ECONOMIC REPORT FROM THE U.S.:	
THE WEEK'S NOTES ..	769	Theory of Rolling Readjustment ..	784
Pakistan's Five-Year Plan; Warehouses for Grain; Overcrowding in Trains; Pak Debt to India; Soviet Arms Cut; India's Trade with Communist Countries.		The Business World:	
A WINDOW ON THE WORLD:		Nationalisation X-Rayed ..	785
Odysseus on "A Socialist Critic of Socialism" ..	773	BUSINESS NOTES ..	787
THE FIFTH REPUBLIC ..	775	The Malady and its Cure; Coastal Freight Rates Raised; Not Controversy, but Constructive Approach; Seamen's Service Conditions; Territorial Waters; Synthetic Vs. Natural Rubber.	
A LETTER TO THE EDITOR ..	776	THE CASE FOR NATIONALISATION ..	790
WORLDGRAM AND NEWS IN BRIEF ..	777	COMPANY AFFAIRS ..	793
		COMMODITY NEWS AND NOTES ..	794
		CURRENT STATISTICS ..	795

India's Second Five-Year Plan

ON Tuesday, May 15, the Prime Minister presented to Parliament India's second Five-Year Plan. This is a document of 640 pages; while it contains no surprises on targets or vital elements on the Plan, it is, nevertheless, an important new contribution to Indian planning literature. It contains both a progress report of the first Plan and literal comment on the philosophy of the second. It would be wrong to evaluate a document of this tremendous importance with a few hasty generalisations. The Eastern Economist proposes, therefore, to defer evaluation to a series of Special Articles to appear in the next three months on various aspects of the Plan. All that can be said at the present time is that the country should treat the final emergence of the Plan

as an event which marks off finally the period of democratic discussion on this Plan from the period of practical implementation. The emphasis is now off talk and discussion; it is firmly on deeds.

Irrespective of differences which have existed in the last thirteen months on the planning papers—which are both numerous and conflicting—one should now treat the major issues of the Plan as closed for a period of five years. It is true that two members of the Planning Commission in the last month have departed unwisely from this counsel of perfection. Mr. K. C. Neogy's consistent questioning of the targets in the public sector and even of the size of the Plan as a whole

have done much to spread uncertainty at a time when assurance was greatly required. Again the Deputy Chairman of the Planning Commission has erred on the other side by attempting to spread overconfidence by a last-minute insertion of a higher agricultural target than previous Planning Commission's discussions had led the country to expect. In both these cases there has been illustrated the unwisdom of continuing even stimulating discussions beyond their appropriate time. In the end both pessimism and optimism represented by these notes encountered a brief and summary end. Arriving late, they were denied entrance to the feast. A last tactful paragraph in the Plan is the epitaph on Mr. Neogy's deep note of dissent.

One must distinguish in a democracy between closed and open questions. The size and targets of the Plan are now closed except to the extent that machinery exists for periodical revision. But some questions of its philosophy are perpetually open because they do not apply to the next five years only. It is wholly legitimate to question fundamentals over the long period, while accepting loyally the decisions of the present. This is what Dr. John Matthai has done this week. His notable address delivered in Bombay this week is published in this issue in full; readers of *The Eastern Economist* are invited to study particularly the observations on the administrative capacity of the public sector which Dr. Matthai has described. He considers that further nationalisation—which incidentally is not necessarily written into this Plan—should be, on the basis of the merits of each case, the exception and not a new rule in the name of a socialistic pattern of society. Secondly, he considers that the administrative difficulties should be faced at once and not complacently assumed away. Here Dr. John Matthai speaks with the highest authority; he has known the Indian administrative system better than any authority now living. He has been Director-General of Commercial Intelligence, Chairman of the Indian Tariff Commission, Minister for Transport and Finance Minister. He is now Chairman of the State Bank of India, a nationalised institution. He is also Vice-Chancellor of Bombay University and has been for many years Vice-Chairman of Tata Industries. The wealth of his administrative experience is unique. His counsel cannot be lightly disregarded.

There can be no reasonable doubt that the statement of Dr. John Matthai on the issue of rationalisation is one which requires the most earnest consideration. This is, indeed, the central theme of his address and one may even regret his having diluted this theme with others which may, perhaps, be more controversial. For example, in regard to the character of the first Five-Year Plan's performance, Dr. Matthai has tended to discount too much of India's achievements by reference to the fact that most of the first Plan's projects were in train before Independence. This is certainly true of the multi-purpose projects. It is, however, to be remembered that most of the multi-purpose projects have not delivered at all in terms of irrigation and only very inadequately in terms of power. The fact that targets have been achieved has concealed the point that income has come from quite unplanned and unexpected sources. It is, therefore, no argument to indicate that the first Plan benefited by these projects. It is much more true that the second Plan will reap greater advantages from these projects than the

first. The instruments of economic progress in India's first Five-Year Plan have not been either the spaciouly planned multi-purpose projects or the strength of the Indian administration. By and large they have been byproducts, in terms of private initiative and private expenditure, of a rising level of individual work and individual expenditure.

While Dr. Matthai has clearly strong ground in voicing his hesitations on the capacity of Indian public administration to shoulder the exacting tasks of the second Plan, one might have been happier if he had dropped from his observations criticism of the Planning Commission at this hour. Views on a document such as the one that has just appeared cannot be uniform. If they were, the soil for democracy in India would not exist. But no one should withhold credit from the Planning Commission for the comprehensive manner in which it has framed both the aspirations of the Indian people and the means to their attainment. One might differ legitimately with the views here and there or even with the interpretation of facts. But a document of this kind must be read as a whole. One can claim that it presents a fair and objective assessment of the difficulties that face the country; it has not yielded to these difficulties, and the spacious picture which it presents in the graph of the growth of the National Income in the next twenty-five years may even look to some somewhat romantic; but this, too, is a measure of the country's faith and courage. This document reflects substantially the spirit of the Indian people. They can well make it their own. That is its source of greatest strength; it is a People's Plan.

To claim that this is a contribution to the task which faces the Indian people and that it presents fairly and honestly the character of that task does not imply it has a solution for every problem. For example, on page 578 there is an outspoken sentence on indiscipline in factories. "It is true," says the Report, "that the existing provisions for penalising illegal strikes or lock-outs have not proved adequate in practice. There have been instances of 'go-slow', 'pen-down' and 'stay-in' strikes which in the larger interest of the economy should not go unnoticed." Yet there is no recommendation as to the means by which this discipline is to be ensured. More than once in cases such as these the Report has stopped short at a frontier which it seems its authors dared not cross. This is a weakness; but it is a weakness which can be overcome by a subsequent act of decision. It is for the Government of India to complete the answer. It is good in the meanwhile that this Report shows that the conscience of the Government of India is alive.

In the last analysis the difficulties in this Plan are not difficulties of exposition or of mental attitudes. They are essentially difficulties of management and organisation. For this reason a well-arranged and well-conceived document is not any solution of the problems which face the Indian people in the next five years. Nevertheless, it is good that India enjoys in the Planning Commission a great clearing-house for information and by and large an honest instrument for the design of economic progress. No Planning Commission can do much more; for deeds one must look elsewhere. The Planning Commission's work is substantially over for five years. Again the ball has been passed to the Indian people. It is for them to carry it to the goal.

Property and Hindu Women

THE Hindu Succession Bill which now goes for the President's assent, to be placed on the statute book without any possible delay, marks the successful culmination of an important phase in the reform of Hindu Law. Despite the growth of a mass of case law containing judicial pronouncements virtually on all points governing the personal law among the Hindus, the imperatives of the changing form of Hindu society demanded much more than mere codification of the existing law. Not a few legal decisions had helped the process of reform by putting bold interpretation on contentious points of law. But the positive problem of modernisation of Hindu law on important issues could not be left to be dealt with except by straight legislation. The Hindu Code Bill introduced in the provisional Parliament and the earlier comprehensive legislation based on the recommendations of the Rau Committee were in part vigorous attempts to incorporate radical principles of reform.

Unquestionably the most controversial of these principles centred round the status and rights of women. The emancipation of women in social and political spheres did not meet with that degree of resistance which it is encountering in the realm of law. The major explanation is to be found in the fact that the right of inheritance to property, particularly to daughters who pass into another family by marriage, came to be looked upon by force of an age-long tradition as an unwarranted encroachment. The disabilities on other categories of female heirs sprang from the status of perpetual dependence on males in the family. Precisely because of this attitude both these pieces of legislation had to be allowed to lapse under pressure of public opinion after initial trial in the legislature. The intense opposition which the Hindu Code Bill invited was due as much to the forward character of its specific provisions as to the ambitious attempt to carry out reform on all current issues in one sweep. The change in strategy which was adopted after the set-back to this venturesome experiment has served to blunt the edge of opposition. The Succession Bill, which came as a link in the projected chain of legislation dealing with individual facets of Hindu law has passed off without much resistance outside Parliament in spite of some of its controversial content.

It is difficult to assume that opposition on the part of the conservative sections of society has died down in a brief span of over five years. Inside both the Houses of Parliament, opponents, irrespective of party affiliations, did not relax in their vigour to resist contentious provisions of the Bill at each stage. But apparently it was nothing like the resistance to the Hindu Code Bill. The difference in the two attitudes is fundamental in character. The orthodox sections of the Hindu community seem to have begun to appreciate the new dynamism in all walks of life which has gathered fresh momentum since independence. They are obviously reconciling themselves with the necessity of a change in the law relating to women much faster than they would desire. During the course of the debate apprehensions were expressed on the consequences of the changes sought to be carried through. The major argument was that the institution of joint family which is basic

to Hindu society would be disintegrated and the rights of inheritance to be conferred on women would lead to litigation and eventual disruption of family property. Litigation is almost inherent in all law relating to property. Similar apprehensions which were expressed, when limited property rights were extended to Hindu widows, failed to be borne out by subsequent experience. On the south-west coast of India, the existence of the matriarchal system and extensive property rights to women have neither broken the fabric of Hindu family nor led to disruption of property. In other religious communities in this country as also in other countries, women's right to property has nowhere disturbed essential harmony. In course of time, the validity and social justification of granting progressive rights of inheritance to Hindu women cannot fail to find whole-hearted acceptance.

It would be an error to suppose that the Succession Bill constitutes a revolutionary measure which would derange Hindu society. In its essentials the Bill strikes a happy compromise between total change at one stroke and stubborn resistance to any reform whatever, particularly in the direction of progressive liberalisation of women's right to property. The Rau Committee Report and Dr. Ambedkar's Hindu Code Bill both provided for the abolition of the Mitakshara system of law. In effect this amounted to an attempt to revolutionise in toto a system which governs the personal law of a vast majority of Hindu society. The Succession Bill retains the core of the Mitakshara system with its dominant feature of the coparcener's interest in property by birth. The daughter by no means becomes a member of the coparcenary. Female heirs take their shares in the interest of the deceased in the coparcenary property only on intestate succession. What the Bill has done is to substitute a revised order of succession for the rule of survivorship. The male coparcener's major right acquired on birth has been left inviolate.

The right of inheritance which was denied in material respects to females has been granted in a liberal degree, which, however, falls considerably short of the recognition of equal share with males. Clause 6 of the Bill is the crux of the whole scheme. The Bill as passed by Parliament modifies the Select Committee's recommendation on the share of female heirs prescribed in this clause. For the purpose of the computation of the share of the deceased coparcener the shares of his male descendants were to be included in terms of the Committee's recommendation. The clause as it has finally emerged makes the basis of computation co-extensive with the individual share of the deceased alone. This modification goes to diminish the size of the share of female heirs. On a superficial observation this final rule of devolution may appear retrograde, but it has valid justification. The prior provision raised a potential threat to encourage the tendency to demand partition in the life-time of the ascendant where such a right prevails. The need to prevent this harmful consequence requires no emphasis and it redounds to the sense of sweet reasonableness on the part of women members of Parliament that the prominent among them readily appreciated the logic of the modification.

less travelling even more popular, and it is ironical that the Prime Minister should think of raising fares when the railways are still to stamp out this evil and when travel is indirectly encouraged by such concessions as return tickets and privilege tickets.

PAK DEBT TO INDIA

THE INDO-PAKISTAN financial conference held in New Delhi last week is stated to have resulted in "substantial agreement in regard to the facts of each particular matter in dispute so as to enable Ministers of the two countries, when they meet, to come to a final decision". This is good as far as it goes since Pakistan is reported to have accepted her liability for Rs. 240 crores—Rs. 120 crores towards assets taken over by her and Rs. 120 crores as her share of the net liabilities. Under the arrangement reached at the time of partition, Pakistan should have started making payments towards her share of the debts of undivided India taken over by the Indian Union in 1952 itself, but so far no payments have been received, though a sum of Rs. 5 crores was provided for this purpose in the 1952 budget of Pakistan. Subsequent budgets did not contain even this provision, and all attempts by India to get Pakistan to honour her obligation had so far proved fruitless.

It now remains to be seen how far the recent discussions will induce Pakistan to start making the long-overdue payments. A change of attitude seems unlikely because Pakistan is now reported to be putting forward a claim to a share in the sterling balances which form the foreign reserves of the Reserve Bank of India. She has already received her share of the gold and foreign securities of the Reserve Bank in proportion to the volume of Indian currency which was circulating in Pakistan at the time of partition. The present claim seems to have no purpose beyond that of postponing still further the long-delayed payments towards a debt settlement. Further, there are certain other items of unfunded debts for which Pakistan has to pay India to the tune of Rs. 60 crores. Though agreement on all these matters may take time to arrive at, there is no reason why payments towards the sums which Pakistan herself has acknowledged should not start right away.

SOVIET ARMS CUT

THE MOSCOW announcement that the Soviet Union will reduce her armed forces by 1.2 million men by May 1 next year, coming in the wake of the deadlock in the London talks on disarmament, has caused widespread speculation on the reasons for this unilateral step. The extent of the cut, as far as can be judged from estimates of Soviet armed strength, will certainly be great since it will amount to more than 25 per cent of the men now under arms. Also 375 ships of the Soviet navy are to be put into reserve. It is, of course, true that there is no means of verifying whether these cuts are in fact being effected, though next year's budget may give some indication. The reduction now proposed is in addition to the demobilisation of 640,000 men last year.

Surprisingly enough there is no sign of any proposal to go slow on the building up of the air force, particularly the long-range bomber fleet. This seems to reflect a change in the military thinking of the Soviet Union—from defensive to offensive warfare, should a war have to be waged. It is evident that the Soviet Union's progress in the manufacture of atomic weapons and her reported successful experiments with the inter-continental ballistic missile have not only rendered this change possible but has also made the maintenance of a huge force equipped with conventional weapons both unnecessary and uneconomical. That these factors must have weighed a great deal with the men in the Kremlin in reaching their present decision is undeniable; and

it is not surprising either if they should seek to reap whatever propaganda benefit they can out of this gesture.

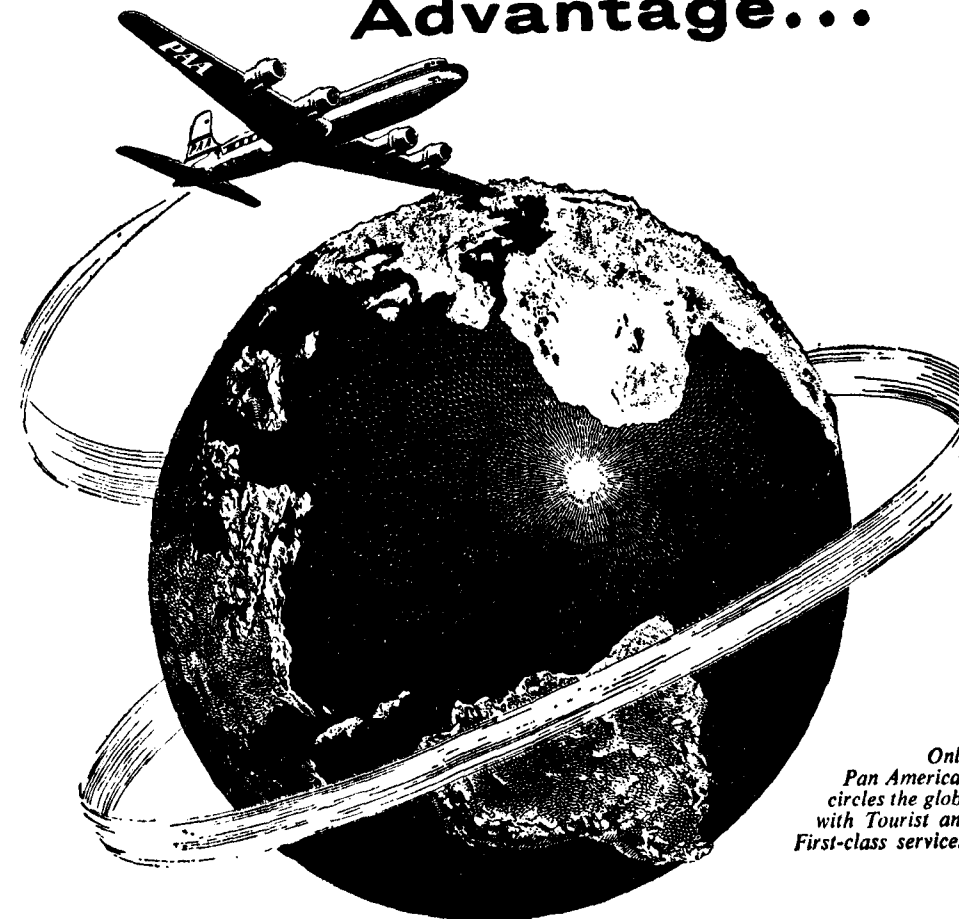
Western analysts have attributed the present demobilisation to the strain on the Soviet economy and called it long overdue in the sense that Russian arms reductions since World War II had not matched that of the West. Be that as it may, to the world at large the present Soviet gesture compares in a favourable light with the efforts of the Western Powers to build up military strength, in particular by rearming West Germany, and their unwillingness to go ahead even with their own proposals for disarmament which, though at first rejected by the USSR, were later accepted by her. The justification for these actions and the probable motives behind the present Soviet move will have to be put out more cogently and persuasively if the West is not to suffer a serious diplomatic defeat. At the same time it is worth considering whether something cannot be done to match the Soviet gesture and to see that the Soviet Union really makes the reductions she has promised to.

INDIA'S TRADE WITH COMMUNIST COUNTRIES

IN RECENT years, there has been a growing diversification in India's foreign trade and development of fresh trade contacts with countries with which there were no contacts previously for historical reasons. The Government of India is thus reported to have finalised a contract worth Rs. 2.5 crores with the Soviet and other Communist countries for supplying coffee and iron ore, and importing cement and steel. The contract, which is due to expire in March, 1957, includes the export of 1,00,000 tons of iron ore to Poland. Out of the total export quota of 4,100 lbs. of coffee from the 1955-56 crop, 500 lbs. have been earmarked for export to the USSR and this will be worth Rs. 41.22 lakhs. All this is good, but it would have been all right, had this trade been through the normal trade channels, especially as, lately, the USSR has expressed its willingness to do trade with the established channels and not necessarily only with the Governments of the countries concerned. Other democratic countries are known to be able to carry on their overseas trade with the Communist countries with a closed economy through normal trade channels. But blissfully being ignorant of this, or, perhaps, deliberately in pursuance of a fashionable fad, the authorities concerned have undertaken that trading in all the commodities listed above is to be handled by the proposed State Trading Corporation.

The shipping agreement concluded recently between India and Soviet Russia, providing for the operation of six Indian ships and six Soviet ships between the Indian and Black Sea ports for carrying the cargoes covered by the Trade Agreement of December last, should prove helpful in the furtherance of trade relations between India and the Eastern European countries. The Indo-Russian Trade Agreement provides, among other things, for the import of one million tons of steel in the course of the next three years and the export of several industrial raw materials. The average volume of trade between the two countries under the Agreement during the first two years is expected to be of the order of 400,000 tons annually, but it is expected that cargoes to other Eastern European countries will also be available to the shipping service. Till now, the value of the total trade between India and the USSR has been of the order of only a few crores of rupees. During 1954-55, India's exports to the USSR aggregated Rs. 2.12 crores and imports from that country Rs. 1.61 crores. The total value of one million tons of steel, which the USSR will be supplying under the agreement, will alone come to Rs. 60 to Rs. 70 crores now. In addition to this the Soviet Union has signed another agreement covering the sale of machinery to the Bhilai Steel Plant.

This Priceless Advantage...



Only Pan American circles the globe with Tourist and First-class services.

Round-the-World experience on every flight... yours only on Pan American!

Whether you fly a few hundred miles or thousands, you'll immediately sense the difference this experience makes.

You'll feel relaxed and confident in the hands of the *only* airline that flies 'round the world... the airline that *specializes* in overocean flying... the airline that does the most to make you comfortable in the air!

Pan American has flown *one billion miles* in overseas service... has carried 13 million passengers to international destinations... has crossed the Atlantic over 50,000 times... and has completed over 2,000 Round-the-World trips.

From unmatched achievements like these comes Experience—Round-the-World Experience—the priceless advantage that only Pan American gives you on every flight.

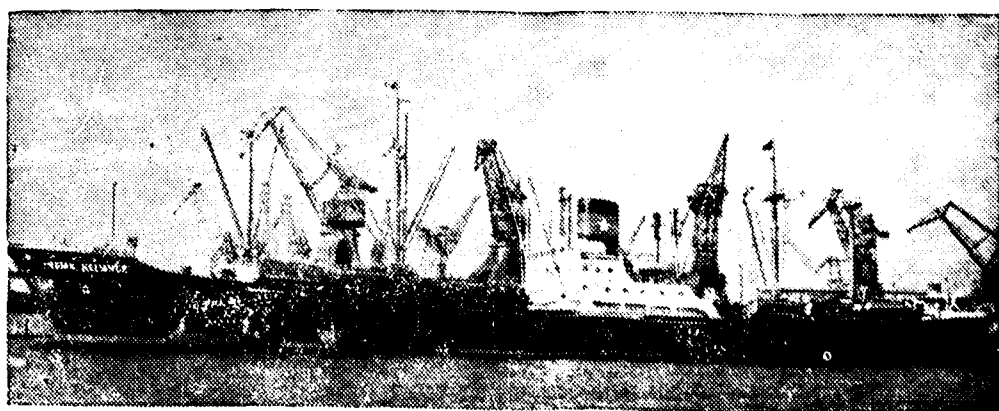
Let your Travel Agent arrange your trip—his services are free. Or call Pan American in:

Calcutta: 42, Chowringhee Tel. 44-2651, 2652 New Delhi: Imperial Hotel Tel. 48172, 48177
Bombay: Taj Mahal Hotel Tel. 35304

PAA

WORLD'S MOST EXPERIENCED AIRLINE

PAN AMERICAN



INDIA STEAMSHIP CO., LTD.

Our Fleet

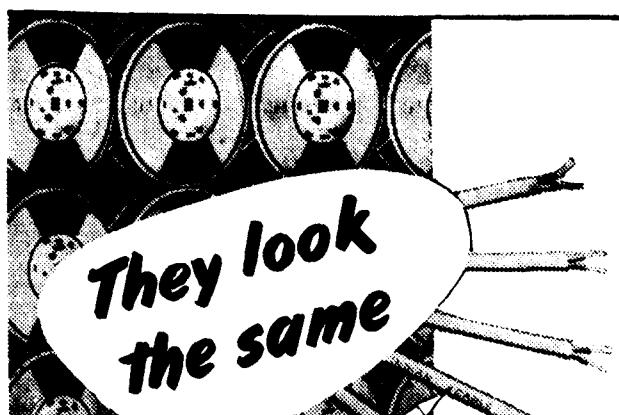
S. S. INDIAN PIONEER	S. S. INDIAN EXPORTER
S. S. INDIAN TRADER	S. S. INDIAN NAVIGATOR
S. S. INDIAN SHIPPER	S. S. INDIAN MERCHANT
S. S. INDIAN IMPORTER	S. S. INDIAN COMMERCE
S. S. INDIAN RENOWN	S. S. INDIAN RELIANCE
S. S. INDIAN ENDEAVOUR	
S. S. INDIAN RESOLVE	

Calling at :-

PORT SUDAN, PORT SAID, ALEXANDRIA,
LONDON, LIVERPOOL, DUNDEE,
ANTWERP, ROTTERDAM, HAMBURG,
BREMER, and other ports.

Regular cargo service between INDIA-U.K.-CONTINENT and also INDIAN COASTAL service

Managing Agents :- **LIONEL EDWARDS LTD.,** D-1, CLIVE BUILDINGS, CALCUTTA-1.



But only one is
PARAMITE
the reliable
Cable

Made by India's Largest Cablemakers

THE INDIAN CABLE CO., LTD

Established since 1920
Head Office: 9, HARE STREET, CALCUTTA
Works: TATANAGAR
Representatives in India for



BRITISH INSULATED CABLES LTD

BRANCHES:
Ahmedabad, Ambala, Bangalore, Bombay, Coimbatore, Jamshedpur, Kanpur,
Madras, Nagpur, New Delhi, Secunderabad and Trivandrum.

THE BANK OF INDIA LIMITED.

(Established 7th September, 1906.)

CAPITAL SUBSCRIBED	Rs. 5,00,00,000
CAPITAL PAID-UP	" 2,50,00,000
RESERVE FUND	" 3,52,00,000

Head Office:

MAHATMA GANDHI ROAD, FORT, BOMBAY.

BRANCHES IN INDIA:

AHMEDABAD	Kalbadevi	JUNAGADH
Bhadra (Main Office)	Malabar Hill	KOZHIORE
Ellis Bridge	CALCUTTA	MADRAS
Gandhi Road	23B Netaji Subhas Road (Main Office)	NAGPUR
Manek Chowk	Bara Bazar	Kingsway
Station Branch	Chowringhee	Itwari Bazar
AMRITSAR	Square	NEW DELHI
BANGALORE	COIMBATORE	PALANPUR
BHUJ (Kutch)	DELHI	POONA
BOMBAY	GANDHIDHAM	POONA CITY
Andheri	(Kutch)	RAJKOT
Bandra	HYDERABAD	SHOLAPUR
Bullion Exchange	(Deccan)	SURAT
Colaba	JAMSHEDPUR	VERAVAL

FOREIGN BRANCHES:

LONDON—17, Moorgate, London, E.C.2.
ADEN, DAR-ES-SALAAM, JINJA, KAMPALA,
KARACHI, MOMBASA, NAIROBI, OSAKA,
SINGAPORE, TOKYO.

DIRECTORS:

SIR COWASJEE JEHANGIR, Baronet,
G.B.E., K.C.I.E. (Chairman)
Mr. AMBALAL, SARABHAI
SIR JOSEPH KAY, K.B.E.
Mr. DINSHA K. DAIJI
Mr. RAMNIWAS RAMNARAIN
Mr. BHAGVANDAS CHUNILAL MEHTA
Mr. KRISHNARAJ M. D. THACKERSEY.
Mr. A. D. SHROFF.
Mr. MADANMOHAN MANGALDAS

EVERY DESCRIPTION OF BANKING
BUSINESS UNDERTAKEN.

D. R. THOM, General Manager.

A Window on the World

A SOCIALIST CRITIC OF SOCIALISM

By

ODYSSEUS

SOCIALISM (LIKE COMMUNISM or Capitalism) is a philosophy that seeks to explain the economic and political problems that plague mankind and to offer guidance for their solution. Its leaders, therefore, like the exponents of any other philosophy, have no option but constantly to verify their theoretical propositions against current facts and situations, and to re-formulate them in such ways as actual experience suggests. Philosophies exist to explain problems. As long as they do, they are dynamic, forward-looking. But when the facts of contemporary life are dressed up to conform to the fashionable philosophy of the hour (to coin a new definition of that horrible word "ideology"), then the philosophy is obviously lagging behind the times and from being a useful guide for right action it becomes harmful. A "doctrinaire" Socialist is one who suppresses or distorts facts that do not fit in with the theories that he imbibed in his student days. From the time of Karl Marx (1818/83) until the USSR came into existence when Lenin seized power in October, 1917, Socialism was unavoidably "doctrinaire" because its leaders had had no chance of obtaining responsible office and thus being in a position to verify their theories against the realities of government and administration, and of economic booms and depressions.

But what went on, and to a large extent what still goes on, in the USSR is difficult to evaluate because from the first the Soviets forbade independent outside observers to roam freely about studying the country in the way that newspaper men, economists, students, diplomats, and others, can study at their leisure all more, the Communist totalitarian system differs in aims and methods from the democratic. The result has been that when the first Socialist government came into power in post-World War II Britain its leaders were explain the totally different economic and political circumstances that prevailed between the wars and even in many cases before World War I, which were often hopelessly at variance with the developments that had taken place in the intervening quarter of a century. This largely explains the reaction against Socialism that has overtaken that section of the British electors made up of independent-minded people who to cast their votes, not as party men but as intelligent citizens, in the light of the visible effects of political promises made and carried out. These, as distinguished from the solid party men, constitute the marginal or floating votes that put parties in or out of office. That the first taste of Socialism was distasteful to a majority of Britons is suggested by the incontrovertible fact that the Socialists have been unable to win an election since 1950.

Britain's Socialist leaders are, therefore, devoting their enforced leisure to re-thinking out the fundamentals of their philosophy. Between January 20 and February 17 of this year I published articles here outlining and discussing the views of the leader of the Labour party, Mr. Hugh Gaitskell, on the future of Socialism. I began last week to follow this up with an exposition of the views of Mr. R. H. S. Crossman, chief lieutenant of Aneurin Bevan's 100 per cent Socialist Left wing ginger group, as set forth in his stimulating and reflective pamphlet "Socialism and the New

Despotism" (Fabian Society, 11 Darmouth St., London, SW. 1. Re 1-).

I am no Socialist. I do not agree with the views of either of these leaders but I would be failing in my duty as I conceive it if I did not pay tribute to their intellectual honesty and to the fearlessness of their probings into the absurdities into which Socialist theory had worked itself through lack of sufficient verification against contemporary experience. As long as leaders like these can be found who refuse to preach doctrines that are obviously out of date, there is good hope for democracy.

CROSSMAN, TAWNEY, AND POWER

Mr. Crossman starts from Professor R. H. Tawney's premise that parliamentary democracy will only become a fully effective guarantor of individual freedom when combined with social control of economic power, and he goes on to point out that one of the main features of the post-war Western world has been the steady concentration of power in the managerial class whom he regards as irresponsible oligopolists whom it is Socialism's first duty to expose as a threat to democracy and to bring within popular control.

But, asks Mr. Crossman resolutely, is it only the privately owned companies which threaten our freedom? The Labour party, he recalls, has declared that Imperial Chemical Industries is ripe for nationalisation on the grounds that it is a private monopoly. But what about the controlling body of the nationalised coal industry—the Coal Board? It is not fully accountable to Parliament and the degree of workers' participation in management is not markedly higher than in a progressive private company. Actually the technician and the scientist may feel more frustrated under the rule of the accountants, ex-civil servants, ex-generals, and ex-trades union officials who constitute the Board of a nationalised industry than they did under private enterprise. Moreover, these oligopolists—some in charge of nationalised, some of private industries—do not comprise the whole of the managerial society (the people whom the common man in the USSR refers to as "the bosses"), there are also all the million and a quarter of civil servants, national and municipal. And while Mr. Crossman reproves the Tory for instinctively suspecting all government departments of over-staffing and muddle and assuming Imperial Chemical Industries to be a model of efficiency, he chides the Socialist for feeling that loyalty to Socialism requires him to believe that all government-run bodies are well run and that it is sabotage to make any stand against a government department in favour of the rights of the individual.

"Actually," says Mr. Crossman, in a memorable sentence, "the growth of a vast centralised State bureaucracy constitutes a grave potential threat to social democracy. The idea that we are being disloyal to our Socialist principles if we attack its excesses or defend the individual against its incipient despotism is a fallacy." If the Socialist aim is to enlarge freedom by making those who control power fully accountable to the people, that must apply to the managers of nationalised industries and private industries alike. It is the

gigantic size of the modern unit of organisation, whether in industry, in the trades unions, the armed forces, or the welfare services which, in Mr. Crossman's view, compels the choice between accepting the inroads on freedom of an increasingly managerial society or risking the advance towards a fully Socialist society.

The real solution to these problems, Mr. Crossman thinks, is not merely to appeal to the electors to support Socialism to gain economic benefits but to defend their personal freedom and rights in a managerial society. In other words, he agrees that the only solutions are three: (1) to allow the oligopolists to dominate the community, or (2) instead of Socialising the economy to adopt the American system of breaking up monopolies and subjecting them to competition by anti-trust legislation, or (3) to subject the oligopolists to public control.

Mr. Crossman rules out the American system because he says that both British employers and workers are opposed to a freely competitive economy. This is doubtless true but it must undermine the efficiency of either a Capitalist or Socialist economy because competition is essential to both in order to ensure change and growth. It is a confession of bankruptcy in leadership to say that because competition is politically unpopular, no attempt can be made to educate the voters into grasping its importance.

CURING SOCIALISM BY MORE SOCIALISM

Mr. Crossman touches the rock bottom of his analysis when he says:

"In Britain, we are faced with the following dilemma. Since the abuses of oligopoly cannot be checked by free competition, the only way to enlarge freedom and achieve a full democracy is to subject the economy

to public control. Yet the State bureaucracy itself is one of those concentrations of power which threaten our freedom. If we increase its authority still further, shall we not be endangering the liberties that we are trying to defend?"

Today and last week I have tried to extract the guts from Mr. Crossman's 24-page pamphlet and to deal faithfully with his analysis of Britain's present discontents which certainly applies to other countries in process of adopting the Socialist pattern. I go most of the way with Mr. Crossman in his analysis but when he comes to solutions I part company. For what solution to the concentration of power in the hands of managers and civil servants does he offer? Only further nationalisation and yet more nationalisation, controlled by means of Fact Finding Bureaux and committees of parliamentarians. Such a lame conclusion was hardly to be expected after his preceding pages of brilliant analysis of the weaknesses of control by public bodies.

It is admitted on all sides in Britain that the Labour government's planning was faulty, so Mr. Crossman wants to "expand the miserably small body of economists and statisticians at present available" and create a Central Fact Finding Bureau. He truly says that "the modern state with its huge units of organisation is inherently totalitarian; its natural tendency is towards despotism; and that these tendencies can only be held in check if we are determined to build constitutional safeguards of freedom and personal responsibility." Splendid! But to conclude limply thereafter that totalitarianly inclined units—anonymous committees whose natural tendencies must equally be towards despotism is a counsel of despair. In a final article next week, I will outline a solution that seems to hold out greater hopes of a livable future for us all.

"Glad we won. Now I must rush—I've another case in Bombay tomorrow. I'm going by air, of course."



When you have a journey to make, think first of flying. It's the fastest way to travel, and often the only way to get there in time. You escape all the tedium of a long journey—flying is so quick, convenient, and wonderfully comfortable.

INDIAN AIRLINES CORPORATION

Malhotra Building, Queensway, Delhi



Telephone 771 (4 lines)

THE FIFTH REPUBLIC

FROM OUR SPECIAL WESTERN EUROPEAN CORRESPONDENT

PARIS, May 10, 1956.

OF course there is no Fifth Republic. So far the French are only up to number four. But many people here think the Fifth is coming soon, many are demanding it, and many are planning the form it should take. The Fourth Republic has no defenders, no apologete. That is to say, no one supports it as a reasonable or efficient regime, but there are some who live on its weaknesses and would struggle very hard to prevent its passing. But even their efforts to preserve the worst features of the Fourth Republic take the form of a demand for spurious reforms. This is because in a country where politics is carried on at a very high level of sophistication and where Revolution is a hallowed tradition, political dispute often consists in everyone trying to sound more revolutionary than everyone else—and none more noisily revolutionary than the conservatives.

This is a curious and complicated situation, and it probably has no counterpart outside France. For instance, when I said above that "many people" are demanding an end to the Fourth Republic, I suspect many readers thought this was loose journalistic talk and that by "many people" I meant a few talkative friends in the corner cafe. Not at all. Millions of Frenchmen today want a bloodless political revolution. A complete change of regime, and they are encouraged in this opinion by the most eminent and respected of public figures. The modalities of such a revolution are calmly discussed in all the newspapers, and some of the proposals coolly put forward would make a Delhi politician's hair stand on end. The campaign has now reached such volume that last week the Prime Minister, M. Guy Mollet, hurried into the fray to say that if there was to be a political revolution, the republicans must take the lead and not be outbid by the enemies of democracy.

The prospect of a political revolution, even without violence or coups d'état, would give Indians or Anglo-Saxons nightmares—while there have been phases in recent American history when public discussion of such a possibility might have entailed a prosecution for preaching the overthrow of the republic. Not in France, where the calculation of the chances of a revolution has been normal and respectable ever since 1789. Two examples from the recent past will make my meaning clear. Just after the January elections in France, which produced an obviously unmanageable parliament, Raymond Aron, the philosopher-economist, wrote on the front page of a big Paris daily that one of the measures to meet this situation which he had discussed the night before with a group of eminent industrialists was the restoration of the monarchy! Now what would happen if the "Hindustan Times" announced casually one day that a group of gentlemen in Delhi were discussing the possibility of giving India a king? I imagine the police would be out next day making searches. You might say that Aron was just talking, as Frenchmen notoriously do, and no notice should be taken of him. But one of the men who has this month issued a manifesto hinting at the need for "profound" reforms was precisely the Count of Paris who is the pretender to the French throne. Not that I suggest for a moment that France is going monarchist, but the point is that revolutionary talk in this country is seldom "just talk".

My other example is drawn from the political trial that has been dragging on here for three months. The other day M. Mendes-France was in the witness box being questioned most insolently by a defence

barrister who was a Vichy politician and is again today a rightist deputy with infinite ambitions. His name is Tixier-Vignancourt. Mendes-France said to him, "Your object is not to get the truth but to ruin me as a politician". Tixier replied, all smiles, "Oh certainly, monsieur, to ruin you and your policies completely". Mendes-France added, his temper rising, "And not just me, but the Republic, which you seek to smash". Tixier almost danced with joy as he threw back, "Yes, that too, to smash it totally and completely". The presiding judge—and notice that this was not an ordinary court but a military tribunal—said nothing.

Granted that I have drawn attention to extremists—but serious and influential extremists—what are the revolutionary proposals of more temperate groups? As represented by, for example, "Le Monde", the staidest, stodgiest and most reliable of French newspapers, a desirable innovation would be the presidential system. That is, the Prime Minister would be directly elected by the people at the same time as the assembly would be elected. Being directly elected, his powers would be at least equal to parliament's. He would be much more powerful than India's President, for the authority that is theoretically exercised from Rashtrapati Bhavan in time of emergency would be his at all times. He would in fact have most of the attributions of the American President. Notice that under this scheme, there would still be a separate President of the Republic, as there is today. This might seem a curious idea, like having two Presidents. But as the Americans have realised at least since Mr. Eisenhower's illness, there are advantages in having two Presidents: one to open fetes and the like, and one to govern.

M. Mollet said the other day that he did not favour a system that took power away from the Assembly to give it to one man; what was needed he said was a stronger and more continuous executive. No one but M. Mollet quite knows what this means, except that he is evidently opposed to the presidential system. M. Mollet's wish for a more continuous executive is understandable, for his ministry, like most others in the Fourth Republic, hangs on to life by a thread that can be cut at any moment by a realignment of his enemies in the Assembly. But it is curious for him to ask for more powers under the present system, for no French Prime Minister has possessed more extensive authority than he does. His "full powers" to deal with the Algerian situation, for instance, make his Resident Minister in Algiers no less than a complete dictator.

One of the things that obscures discussion of a presidential system is that there is one very obvious candidate for the first presidency waiting in the wings of the French political stage, and the disputants are apt to be thinking less of the system than of this one man. He is, of course, Charles de Gaulle. Outside France de Gaulle has been written off and almost forgotten; he has even published his memoirs, which is usually a politician's last sacrament. But de Gaulle is not forgotten here, and in fact the collapse of the Gaullist party (the R.P.F.) has succeeded in putting him above the daily battle and making him appear a more effective last resort. Members of the present Government, including M. Mendes-France, call on him periodically for little talks, and when the Algerian Resident Minister visited Paris last week a communique said laconically that he had called on "the President of the Republic and General de Gaulle". This sounded like those communiques issued in Rome that say "So-and-so met President Gronchi and His Holiness the Pope".

General de Gaulle does not wait silently. From time to time, from his estate at Colombé, he issues his terms for a come-back. Briefly, he always says that he is not coming back just to help the present regime out of its difficulties: he will come back to finish it, that is, to institute the Fifth Republic. He would demand "full powers" at once, the dissolution of the Assembly and elections for a new constituent assembly; everything would be done legally but firmly, and the present lot of politicians would have nothing to hope for in the new order. His proclamations are always quite uncompromising: he will do nothing for the Fourth Republic but bury it. Pierre Poujade, the leader of the rowdy petty bourgeois movement, who also roundly proposes the 'coup de grace' for the Fourth Republic, last week went further and spoke favourably of the possibility of General de Gaulle as the first president of the Fifth.

What about the Communists, who are one of the biggest sections of the electorate and have the biggest single party? Ironically, this most revolutionary movement is the least revolutionary in the present situation, and one can easily imagine a state of affairs where they would be the only defenders of the Fourth Republic. Not that they have any respect for it, or for any other democratic system, however efficient or inefficient. But they would oppose the renovation of French democracy and would prefer to cling on to a regime that, by its very uselessness, does their work for them.

A Letter to the Editor

MR. MIKOYAN IN DELHI AND KARACHI

Sir,

In the leading article referred to above in the issue of your journal dated March 10, 1956, there appears the following sentence: "The prolonged negotiations with the British steel consortium ended in an agreement; but comparisons are constantly made in New Delhi between the period it took to reach this agreement as against the quickness of the Russian acceptance."

If, as is presumed, the consortium to which reference is made is the Indian Steelworks Construction Co., Ltd. comprising 13 well-known British companies, we would express our serious concern regarding the inclusion of a passage which, we feel, gives a definitely misleading impression of the character of the negotiations which this company conducted with the Government of India.

Expressing, though it does, no more than an opinion, the sentence undoubtedly supports the theme of the leading article. Its implications, however, could well damage the prestige of the member companies of this consortium, and that of other British interests too, in India and other countries.

The first mission of this company commenced negotiations with the Government of India late in October, 1955, and succeeded in putting forward in less than 10 weeks its preliminary estimates of costs of supplies and services (forming the sterling portion of the total contract) together with estimates of the costs to be incurred in India. The second mission visited India in February, 1956, and the agreement was signed in March.

Our information is to the effect that the USSR commenced its negotiations early in 1955 and that its proposals were accepted some 14 months later, in February, 1956.

Will anything come of this wave of revolutionary ardour in France? I do not know and I am sure no one else in France knows either. There is one error that we who are familiar with the Anglo-Saxon tradition must avoid: namely, to believe that some tame compromise will be the upshot, the mountain will bring forth a mouse. Things do not happen that way in France. Either a movement comes to nothing, absolutely nothing, or it ends in a complete change. Compromise is much more difficult here than genuine political revolution. To judge from quite recent efforts to amend the electoral law, it would be just about as hard to introduce some little reform (what the French contemptuously call a "réformette") as to build the Fifth Republic. The Fifth might be just as bad as the Fourth but if it comes it will be quite different.

The French, after all, have to their credit (or to their debit, according to taste) more revolutions than anybody else—we can scarcely count Latin American pronunciamientos as revolutions. But one thing is clear: the French never got a new republic just by taking thought. It took the French Revolution and the guillotine to get the First Republic. It took Europe in flames and 1848 to get the Second. It took Bismarck, the Franco-Prussian War and the Commune to get the Third. And it took Hitler, Petain and the Liberation to get the Fourth. Are there any forces of equivalent devastating power to act as midwife for the Fifth? Perhaps there are in Algeria.

If the rapidity with which agreement is reached is to be regarded as the criterion of enthusiasm or determination to do business, a basis for judgment to which we cannot wholly subscribe when projects of the complexity and magnitude of complete steelworks are involved, then the British effort which commenced in October, 1955, is surely worthy of favourable comment.

Furthermore, if comparisons are to be drawn, an important feature of the British effort is the acceptance of the entire responsibility for developing the project, from a green field site, up to the point of handing over the plant ready for operation. To the best of our knowledge the USSR has undertaken only to supply plant and equipment and the services of technical personnel to supervise construction while responsibility for work on the site will rest with the Government of India.

Because we realise that your Journal, so highly regarded in both the East and the West, has an appreciable influence on public opinion we have put before you our own view, shared we believe by many officials of the Government of India, that this Company has not hesitated to undertake a large and nationally important project in India and that it has been the very reverse of dilatory in dealing with the technical, commercial and financial problems involved.

We would be grateful if you could see your way to give to our view the same publicity as was given to the text to which it refers.

Yours faithfully,
Indian Steelworks Construction Company Ltd.
CYRIL JONES,
Chairman.

LONDON,
May 10, 1956.

[The difference arises in regard to the date on which negotiations commenced with the USSR. "The Eastern Economist's" information does not indicate that serious negotiations date to "early" 1955.—Ed.]

WORLDGRAM

AGRICULTURE

Scheme for Rinderpest Eradication from India: A large scale programme for the eradication of rinderpest from India will be undertaken under the second Five-Year Plan at a total cost of Rs. 2,82,34,000, including Rs. 1,57,84,000 as the Central Government share. Realising the importance of control of epidemics among cattle, the Planning Commission allocated Rs. 15.7 lakhs under the first Five-Year Plan for the initiation of work on a pilot scale. A Central Rinderpest Control Committee was set up by the Government of India in March 1954 and a pilot project was started in the States of Bombay, Hyderabad, Andhra, Mysore, Madras, Coorg and Travancore-Cochin in October 1954. At a recent meeting of the Rinderpest Control Committee it was decided to extend work in the first year of the second Plan in the States of Orissa, Bihar, West Bengal, U.P., Punjab and the Jammu Province of Kashmir State from October 1, 1956, in addition to continuing work in the States of Andhra, Hyderabad, Bombay, Mysore and Madras, which was started under the first Plan. Work is also in progress in the States of Ajmer, Kutch and Delhi.

Agricultural Workshops: Dr. Panjabrao Deshmukh, Union Minister for Agriculture revealed in the Lok Sabha recently that Agricultural Information Workshops had so far been organised in six States, viz., Himachal Pradesh, Madhya Pradesh, Bihar, Bhopal, Travancore-Cochin, and West Bengal. Workshops in some other States, namely, U.P., Hyderabad, Assam, Orissa, Andhra, Madras, Rajasthan, Saurashtra, Ajmer, Vindhya Pradesh, Punjab and PEPSU were proposed to be held during the current year.

Developing Forests and Pastures: It is reported the Desert Afforestation Research Station at Jodhpur will be expanded under the second Five-Year Plan for developing forests and pastures for the stabilisation of the Rajasthan desert. The arid sandy tract of the Rajasthan desert covers an area of about 80,000 square miles extending over the States of Kutch, Bombay, Saurashtra, Rajasthan, Ajmer, Uttar Pradesh, Punjab and PEPSU. Besides undertaking investigations on the silviculture of indigenous species, the possibilities of introducing exotic arid-zone species and the hydrological conditions, the Research Station has maintained a large store for free distribution of seeds of suitable species and given demonstrations of methods of desert control. It has established shelter belts along selected roads and railway-lines, organised forest plantations on different types of sand and set up a forest nursery for distributing plants.

INDUSTRY

Tata Steel Output: The Tata Iron and Steel Company Limited reports that the total approximate production of iron and steel at the steel works at Jamshedpur during April 1956 was 100,000 tons of pig-iron, 87,200 tons of steel ingots and 64,300 tons of saleable steel, the latter comprising 19,100 tons of semis and 45,200 tons of finished steel.

Draft Standard Specification for Outdoor Type Distribution Transformers: The Indian Standards Institution has issued, for eliciting comments, a draft Indian Standard Specification for Outdoor Type Distribution Transformers up to 100 KVA 11 KV. The draft covers oil-immersed, self-cooled, three-phase, outdoor type distribution transformers with Class 'A' insulation of capacities up to 100 KVA for use on systems with nominal voltages up to 11 KV and a

frequency of 50 cycles per second. The importance of inter-changeability of parts, special needs, such as those of the tube wells; service conditions, especially the high ambient temperatures, etc. have all been taken care of. The draft is intended to bring about uniformity in production, to the extent possible, of different manufacturers. Classification of insulating materials and admissibility of insulation other than Class A, have also been given in an Appendix.

Air Conditioning Corporation Private Limited: It is understood that Messrs. Gillanders Arbuthnot and Company Limited, have relinquished the Managing Agency of The Air Conditioning Corporation Private Limited. From the 1st of April, 1956, the Corporation is a wholly owned subsidiary of The Orient Paper Mills Limited (Managing Agents: M/s. Birla Brothers) and is being run as a director controlled company. It is learnt that in view of the recent re-organisation, and large financial backing, the Corporation proposes to considerably expand its Engineering, Contracting and Manufacturing activities. The manufacturing programme includes, Room air conditioners, Railway air conditioning equipment, Industrial blower fans, and other items of heavier refrigeration and air conditioning equipment. To implement these plans, the Corporation is entering into manufacturing agreement with their Principals' Messrs. The York Corporation, USA; Messrs. Buffalo Forge Company, USA; as also, Messrs. The Safety Car Heating and Lighting Company, USA.

Manufacture of Carbon Black: A small factory has already been set up for producing carbon black, but its output is very small compared with the country's requirements. Carbon black has been included in the programme of the National Industrial Development Corporation and manufacture was envisaged to be based on creosote oil as one of the raw materials. Supplies of creosote oil in the required quantities might be expected only with the commencement of distillation of coal tar from the new iron and steel plants, and therefore, actual manufacture of carbon black on a large scale is likely to take some time.

Draft Standard for Nitrocellulose, Ester Soluble: The Indian Standards Institution has issued, for eliciting comments, a draft Indian Standard Specification for Nitrocellulose, Ester Soluble. The Standard prescribes the requirements and the methods of test for the material commercially known as Nitrocellulose, Ester Soluble, or Soluble Nitrocellulose or Soluble Cotton. The material is used in the manufacture of clear and pigmented nitrocellulose lacquers, dopes and other surface coatings. In recent years, the use of nitrocellulose finish in various industries has increased and the necessity for a standard for nitrocellulose, ester soluble, has become essential.

TRADE

Sterling Area Trade: Sterling trade has not kept pace with the expansion of world trade, and has fallen from 23 per cent of world trade in 1950 to 25 per cent last year. The total value of exports (including Middle East oil) from all countries in the sterling area expanded by 8 per cent in 1955 compared with 1954 and at £6,708 million they were considerably higher than in any year since the post-war peak in 1951 of £6,892 million. Although this recent increase has been in line with the increase in world exports between 1954 and 1955, in the longer term, sterling trade has not kept pace with the expansion of world trade. The total value of imports into all sterling countries increased by 14 per cent in 1955 compared with 1954.

The UK value increase was very similar with heavy purchases of industrial materials and fuel, leading to an increase of over 11 per cent in the volume of goods imported, compared either with 1954 or 1951. For the rest of the sterling area as a whole, imports were running at a very high rate in 1955 and the increase of 1954 (13 per cent) was much higher than that for primary producers as a whole.

Export of Pakistan Textiles to Malaya: About 40,000 yards of cloth from Pakistani mills—the first consignment of substantial quantity ever to be shipped to Malaya, has arrived in the colony, making Pakistan's entry into the competitive textile market in Malaya a reality. According to the Pakistan trade commission in Malaya, the consignment was made up of 27,000 yards of printed cottons and 16,000 yards of unbleached grey cloth.

FINANCE

Highest Income-Tax in the World: Sweden has the highest income-tax in the world. Direct taxation represents 17.9 per cent of Sweden's total national revenue, compared with 13.5 for the United States, 11.9 per cent for Britain and 5.3 per cent for France. France has the heaviest indirect taxes (18 per cent of national revenue), indirect taxes accounted for 8.5 per cent of revenue in the US, 13.9 per cent in Britain and 3.7 per cent in Sweden.

Financial Aid to India: Three new agreements were signed in Delhi recently between India and the US providing for US financial aid of \$736,682 (Rs. 34.99 lakhs) for assisting India's developmental projects. The aid would be used for assistance to Air-India International, for storage of food grains in India and for expansion and rehabilitation of Indian railways.

World Bank Loans: The International Bank of Reconstruction and Development (World Bank) reports that since its inception it had made 141 loans in 41 countries for a total of \$2,483,500,000. In a financial statement covering the nine-month period—from July 1, 1955, through last March 31,—the Bank reported it had a net income of \$21,200,000 compared with \$18,800,000 for the corresponding period of fiscal year 1955. The Bank said that this net income was placed in its supplemental reserve against losses on loans. This reserve now stands at \$142,700,000. During the period of lending operations, important world Bank loans have included loans to Australia for equipment for general economic development, Austria for electric power development, Brazil for electric power development and telephone equipment, Ceylon for electric power development, Colombia for national railway project, France for equipment and materials for reconstruction and development, Guatemala for highway construction and maintenance, India for railway rehabilitation and expansion of iron and steel production, Italy for electric power, irrigation and industrial projects, Japan for electric power development and industrial projects, Mexico for electric power development, Nicaragua for electric power development, Pakistan for railway rehabilitation and construction of natural gas transmission line, South Africa for expansion of transport facilities, Thailand for irrigation project, Turkey for port construction and development also electric power development, irrigation and flood control, and Yugoslavia for expansion and equipment for electric power, coal mining, agriculture and transportation projects.

New Bank at Bahrain: The Bahrain Government has approved the formation of a first Bahrain-owned bank the National Bank of Bahrain. The Bank, planned by the Chamber of Commerce will offer for public sales shares worth ten million Indian rupees. The

shares would be on sale within a month in units of Rs. 100.

National Income Trend in Turkey: In Turkey, Agriculture still ranks first among the sources of the national income. In 1954 it produced 41 per cent of the total. Only 14.2 per cent of the national income was earned by industry. The percentage in relation to the national income of Turkey's agricultural earnings was 12 per cent lower in 1954, the last year for which figures are available, than in 1938, taken as the base year. That of receipts from industry was up by 13 per cent. In addition the percentage income derived from buildings as well as from transportation and communications—that is, from sectors of the nation's economy closely related to industrial activities—had their shares increased by as much as 20 and 30 per cent respectively.

Travancore Sales-Tax Amending Bill: The President has given his assent to the Travancore-Cochin General Sales-Tax (Amendment) Bill, 1956. The Government of Travancore-Cochin considers it advisable to amend their act on the lines of the amendments made in the Madras General Sales-Tax Act so as to specifically authorise the Government to provide for the collection of sales-tax in advance. The present Bill seeks to achieve this. The amendment is to take effect from the date of commencement of the principal Act.

Housing Scheme for Union Government Servants: The Government of India have revised the grant of house building advances to Central Government servants, which it will be recalled, was discontinued in 1937. Under the present scheme advance will be granted for building a house either at the officer's station of duty or in the town where he proposes to settle down after retirement. Loans will also be given for enlarging the living accommodation in a house, provided the cost of the proposed extensions does not exceed Rs. 10,000. Only one advance will be granted during an officers' entire period of service. The loan will not exceed 24 months' pay, subject to a maximum of Rs. 25,000 for new houses and Rs. 10,000 for extensions. A sum not exceeding 20 per cent of the sanctioned advance will be paid for purchasing a plot. Advances for a new house or enlarging an existing house will be paid in instalments: 30 per cent on purchase of land and 40 per cent and 30 per cent on the construction reaching the plinth and roof levels respectively. In all cases the loan will carry simple interest of about 4½ per cent per annum subject to review.

GENERAL

Indo-American Agreements: Twelve operational agreements were signed in April between the Government of India and the United States Technical Co-operation Mission, involving \$6,615,200 in technical aid and developmental assistance. This virtually completes the 1956 Indo-American programme, which totals \$60,000,000 and brings TCM allocations since 1952 to approximately a third of a billion dollars.

Purchase of Development Equipment for India: The International Co-operation Administration has announced authorisations totalling \$361,858 for the purchase of development equipment for India, Iran, and Iraq. The agency reported authorisation for Iranian procurement of \$311,758 in equipment including electrical apparatus for air navigation, spare parts for motor vehicles, tyres and tubes. For India, the ICA announced \$28,100 for electrical apparatus for a ground water irrigation project. Iraq's purchase authorisations include \$22,000 for industrial sewing machines and miscellaneous equipment.

NEWS IN BRIEF

FOREIGN

President Eisenhower, in his latest report to the Congress on US foreign aid programme in Asia, has declared that American assistance to India has totalled 460 million dollars, including a wheat loan of 190 million dollars in 1951.

Australia had a favourable overseas trade balance in April for the first time since last December. It amounted to £A10 million, compared with a deficit of £A15.5 in April last year.

Italy's motor industry produced a record of 82,233 vehicles in the first three months of this year. Exports included 21,527 cars in the first quarter, which was 32.5 per cent more than in the same period last year.

It is reported Malayan rubber exports in April at 72,119 tons, were the lowest since February, 1954. Compared to March the reduction was 12 per cent.

Britain's man-made fibres industry set a new record in March with an output of 45.4 million lbs, compared with 42.6 million lbs. in February, 43.4 million lbs. in January (the previous record) and 42.2 million lbs. in March, 1955.

Factories in Britain exported 19,012 motor cycles in the first quarter of this year. They were worth, with parts, £3,910,103. Figures for the corresponding period of last year were 18,654 and worth £3,498,409.

Britain has the world's highest newspaper readership rate, with 609 copies of daily newspapers sold for every 1,000 of population. The United Kingdom also has the world's largest individual newspaper circulations—two national daily newspapers of over 4,000,000 each, and a Sunday newspaper selling more than 8,000,000 copies.

Production of crude oil in the Middle East totalled just over 43 million metric tons during the first quarter of this year. Although about the same as in the previous three months, it was 13 per cent more than the 38 million tons attained during the first quarter of last year.

According to a report by the Independent Petroleum Association of America, US oil producing capacity will reach more than 10 million barrels a day by next January.

The French Government is to launch a new State loan. It is indicated that the rate of interest would be in the region of 5½ per cent, and would not be tax free. The loan which will be for a period of about 10 years is expected to amount to between Frs. 80,000 million and Frs. 100,000 million.

It is reported the Jordan Government is to execute the Jordan potash and Dead Sea minerals project solely as a domestic scheme and to provide £450,000 in the annual budget for this purpose.

An order in Council relating to the double taxation arrangements with the Federation of Rhodesia and Nyasaland relating to taxes on income was made on April 24 and has now been published as Statutory Instrument 1956 No. 619.

INDIAN

India will purchase 30,000 tons of ammonia sulphate from the German Democratic Republic. An agreement to this effect was signed in London on April 23 last by the Indian High Commissioner on behalf of India and the German Foreign Trade Organisation of the German Democratic Republic.

Imports by sailing vessels of cloves, unmanufactured ivory, gum, mangrove poles, coconut in husks, cheaper and rough variety of shells, cowries, cuttle fish bones, fish and other edible items from East Africa will continue to be allowed clearance at Indian ports without any import license till the end of September.

Sums totalling Rs. 43.2 lakhs have been sanctioned by the Union Transport Ministry for port development works at Bombay, Calcutta and Madras.

A factory for manufacturing precision cutting and turning tools and tool holders will shortly be set up by a private firm at Bangarapet, Kolar district in collaboration with the Ifanger Precision Tool Manufacturers of Switzerland.

The Rajasthan Government has exempted from payment of tax payable under the Rajasthan Motor Vehicles Taxation Act, 1951 every motor vehicle other than a transport vehicle, registered and normally kept in any other state of India and for which tax has already been paid in that other State in respect of the period of its stay in Rajasthan.

The Government of India has decided to set up a Company for the purpose of production and distribution of coal in the public sector, under the Companies Act. The Government visualizes the possibility of forming subsidiary companies to work scattered mines.

It is reported the import duty of 19-17/32 per cent 'ad valorem' on pig-iron has been abolished with immediate effect.

The Government of India have made available a grant of Rs. 150 lakhs for scholarships to Scheduled Castes, Scheduled Tribes, and other backward classes during 1956-57. These scholarships are tenable in recognized institutions imparting post-matriculation education.

A draft between the Governments of India and Canada will soon be negotiated for the creation of Rs. 35.44 crore Kundab power development project in South India.

The Government of India have so far built 645 colonies exclusively for displaced persons from East Pakistan. Sanction has also been given for 90 training schemes and 41 medium, small and cottage industries in these colonies.

It is reported there are at present about 36,000 basic schools and 2,50,000 ordinary primary schools in India.

Each of the special multi-purpose projects to be taken up shortly in the tribal and scheduled areas, under a scheme of the Home Ministry, will be allotted a sum of Rs. 27 lakhs. Of this, Rs. 12 lakhs will be provided from the Community Project Funds and the rest by the Home Ministry. The Government of India have so far approved 1,168 road works under the Village Road Development Co-operative Scheme.

THE
SALE IS
IN THE
BASKET...



Trayophane packaging does something for your product—something no customer can resist! It's gloss and shine instantly attracts attention... and the freshness of your goods convinces the customer that he is getting full value for his money.

...when it is wrapped in
TRAYOPHANE*

Trayophane protects—no dirt, dust or shop-soiling can damage your product. Write for our free samples folder today.



AND SEE HOW CHEAP IT IS!



A sheet of Trayophane, 20" x 30" costs no more than 6 pice! Trayophane is available in rolls and sheets. You can get it soon in four eye-appealing colours!

TRAYOPHANE

The new name for
RAYONS TRANSPARENT
FILM

*stops the eye
— starts the sale!*



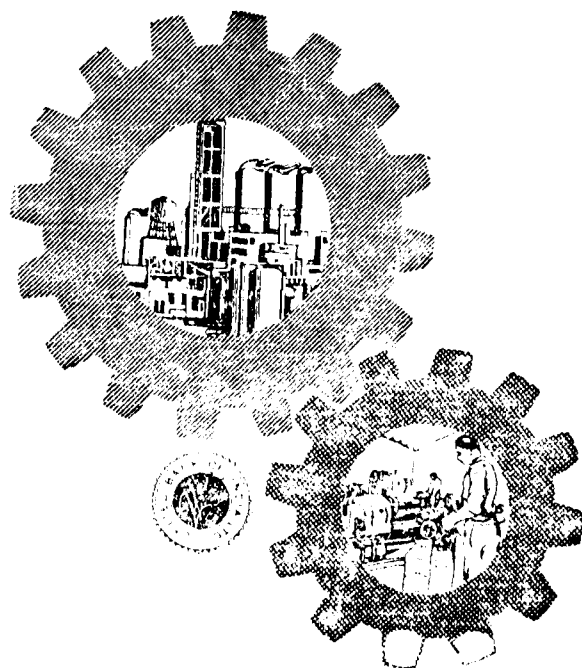
THE TRAVANCORE RAYONS LTD.

Factory: Rayonpuram P. O. Travancore - Cochin

Sales Office: United India Life Buildings, Madras - 1

TR 850

INDUSTRY AND THE BANK..



United Bank of India Ltd.

HeadOffice: 4, Clive Ghat Street, Calcutta

Delhi Offices: Chandney Chowk, Delhi
Connaught Circus, New Delhi

LOCAL ADVISORY COMMITTEE

formed at Delhi with the following members:

Shri Hansraj G. Gupta (Chairman)
Shri Fateh Chand Bhatia
Shri Jagan Nath
Shri Bhiku Ram Jain.

THE EASTERN ECONOMIST

(Subscription Rates)

	Payable in advance	
	India	Foreign
	Rs.	Rs.
Annual	50	66
Half-yearly	25	33

Copies delivered by air in Bombay, Calcutta and Madras at an extra cost of Rs. 9/- per year.

Foreign air rates on application. Offices in New York, London and Tokyo.

The Manager,
THE EASTERN ECONOMIST LTD.,
52, Queensway
NEW DELHI

May 18, 1956.

Special Articles

A CHAIN REACTION IN AGRICULTURE?

FOLLOWING fast on the proposals for increasing agricultural production in the Plan up to 40 per cent initiated by the Deputy Chairman of the Planning Commission at the National Development Council Meeting this month, there are other interesting proposals now doing their rounds in New Delhi. One of these relates to an ingenious method by which a chain reaction can be set up in irrigated agricultural blocks using Government finance in the first instance, but becoming self-financing. The scale at which these proposals can be initiated is, of course, variable. Much will depend upon the capacity of managements to secure additional output from new blocks brought under new irrigation. The evidence that has been collected at the present time shows that the managerial bottleneck is severe and therefore, everything points to a very small beginning. The central ideas are not unsound.

Assuming that limited managerial talent is available, there is no reason why there should not be prepared a substantial pilot project designed to develop an area of 500,000 acres in five years, commencing with 100,000 acres divided, say, in 100 blocks of about 1000 acres for managerial purposes. Originally, Government will need to advance Rs. 300 per acre to these units which may well be co-operative societies. If the benefits of new irrigation and intensive agriculture were to raise productivity by one-third of a ton per acre, the additional output on each block of a thousand acres would be 333-1/3 tons. If in the first year a hundred thousand acres were taken up this would mean 33,000 tons, in the second year this could be doubled to 66,000 tons, in the third year to 99,000 tons and so on. In other words, if blocks were augmented at the rate of 100,000 acres per year, it might be possible over five years to obtain 165,000 tons in the last year, and over

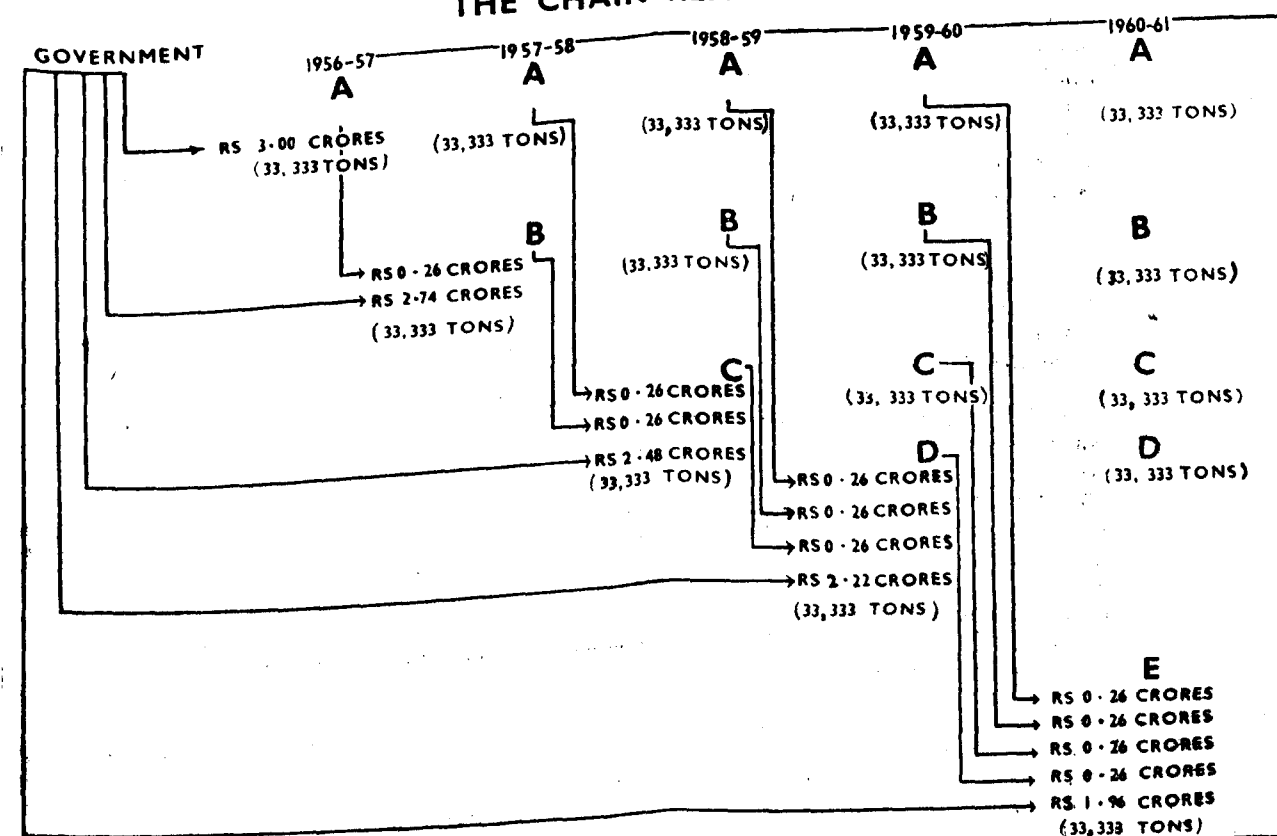
the five years an additional production of about 500,000 tons. This is so substantial an addition that a scheme of this kind is obviously worthy of consideration.

The crucial points in this scheme outside the managerial problem relate to the volume of new finance, the marketing of the product and the impounding development finance obtained from the project on the output. In order that finance should be assured, it is obvious that marketing should not be left to chance. It would, therefore, be desirable that the entire output should be bought at a fixed price by the Government for stock or sale at its discretion. It is possible that ploughing back might take the form indicated in the table on the next page; this shows the scheme is a powerful device for capital formation at a rate of about 20 per cent. This high rate of capital formation does not, of course, represent any profit to the Government and excludes interest charged on the loan. If interest is charged, the plough-back will be pro-tanto less.

The initial expenditure being Rs. 3 crores, the second year for the same volume of development would require Rs. 2.74 crores, the third year would require Rs. 2.48 crores additional, the next Rs. 2.22 crores and the final year Rs. 1.96 crores. In other words, the total capital expenditure of the Central Government would be Rs. 12.4 crores. Against this investment of Rs. 12.4 crores the value of the output at Rs. 400 per ton (average of rice and wheat) would be Rs. 20 crores. In other words, the investment would generate in five years an income greater than itself, the ratio of capital to income being only 0.6.

If a scheme of this kind were administratively possible it would solve the Government's problems of

THE CHAIN REACTION



stocks at a very moderate cost, with a development ratio far below that of any other project in the Plan. This sounds so promising that a detailed investigation should not be delayed. Essentially the principle is the

controlled utilisation of the proceeds of investment for purposes of expansion. The agricultural method is only an illustration of the benefits of a controlled development sector worked in this manner.

	Financed by Govt (Rs. Crores)	Amounts ploughed back every year (Rs. Crores)	Additional output of food grains (Tons)	Value of addi- tional output at Rs. 400 per ton (Rs. Crores)
1956-57	3.00	..	33,333	..
1957-58	2.74	0.26	66,666	..
1958-59	2.48	0.52	99,999	..
1959-60	2.22	0.78	133,332	..
1960-61	1.96	1.04	166,665	..
TOTAL	12.40	2.60	499,995	19.99

- Notes:** (1) Cost of irrigation is estimated at Rs. 300 per acre.
 (2) As a result of this investment, it is estimated, the additional output shall be one-third of a ton per acre.
 (3) Capital formation is estimated at 20 per cent of the increment in output at each level.

GROWTH OF CO-OPERATIVE FARMING IN POLAND —II

BY RICHARD WIELBURSKI

(Vice-Director of the Polish Institute of Agricultural Economics)

As already mentioned peasants join co-operative farms retaining the right to own their land. The basic principle observed in setting up co-operative farms is that the peasants join them on an absolutely voluntary basis. In order to encourage the greatest possible number of peasants to join the co-operatives, it has been considered advisable to set up various types of producer co-operatives. They differ as to the degree of socialisation, the share of collective production in the volume of production and the principles of sharing in the production. All the types of co-operatives have, however, a number of common features, namely, the peasants join them on a voluntary basis, all the co-operatives are directed by self-government, and in all the co-operatives the general meeting of its members is the supreme authority. All the types of co-operatives are organised on the basis of uniting the members in order to bring about the development of collective farming while at the same time there exist in all of these types possibilities for combining personal interests with those of the collective, mainly because part of the soil has been distributed among the members as garden plots around their homes and thanks to the principle of all sharing in the division of production.

Though there are considerable differences between the specific types of co-operatives, the fact that peasants are joining producer co-operatives, even of the simplest type, is an enormous step forward towards socialism. The simplest type of a producer co-operative is the Collective Cultivation Co-operative Farm. In this case the working peasants join only for the collective cultivation of arable land. This can be done for collective ploughing only or also for all the field work. The statute of this co-operative reads: "All the fields belonging to the members, those that are collectively tilled and those on which they work individually, as well as the farm buildings, remain the personal property of the members. On the fields on which work is done collectively each owner has the right to mark the borderline of his field in a way which permits the use of tractors and other agricultural machinery". Out of the arable land handed over for collective cultivation, each member is entitled to exclude a small plot which he will cultivate individually. Its size is laid down by a general meeting.

Each member keeps his livestock and tools and lends them, if necessary, for collective work at prices laid down by the general meeting. The co-operative has the right to sign contracts with the State Machine Centres. It is obvious that this type of co-operative should, and in practice does, buy livestock and tools, erect buildings and develop stock-breeding which will be the joint property of the entire collective. This constitutes the guarantee of their economic and social development. The basis for the settlement of accounts in the co-operative is the crop that is collected on the field of a member of the co-operative. In this the share in the work by the member, his livestock and tools used on his neighbour's land and the costs for the work of the State Machine Centre and so on are also taken into consideration.

Another type is the Union of Agricultural Co-operatives where the peasants join their fields permanently. The statute reads that the members of the Union join their fields for joint husbanding, but each member of the Union retains the ownership of his share in land. The member retains for personal use a garden plot of a size from 0.3 ha. to 1 ha. All the statutes guarantee the ownership of land. The members also have the right to part of the income of the co-operative as compensation for the land they have brought in. The livestock remains the individual property of the member; he is, however, obliged to lend it to the co-operative if asked by the management, but he is paid for this. Members of this type of co-operative can, if they wish to, hand over their livestock, machines and buildings to the co-operative for compensation; the conditions for this are laid down by the general meeting. Entitled to a share in the income, on the basis of land brought in, are only those members of the co-operative who participated in the work of the whole co-operative and, together with the members of their families, worked at least 100 work-day units a year. In the division of the income of co-operatives of this type, part of the total production, indispensable for further farming, is set apart. Part of the income is divided up among the members in the form of money and products, which the members take to their farmsteads. The other part serves for the expansion of the joint property of the co-operative

and is used for social requirements, health and cultural needs. This part of the income cannot surpass 20 per cent of the total income; the rest can be distributed among the members of the co-operative. The divisible income is distributed in the following way: four-fifths is divided up among the members according to their share in the work, the use that has been made of their horses, tools and machinery, while one-fifth is divided up according to the arable land they brought into the co-operative.

The next two types of co-operatives are the Agricultural Producer Co-operatives and the Agricultural Co-operative Farms. The main principles in the statutes are the same as those of the type just discussed. However, livestock, horses, carts, tractors, engines, seed-drills, mowers, harvesters, threshing machines and other large machinery, including ploughs and harrows, are handed over by the members to the co-operative as their share in the joint property. On their garden plot each family is entitled to keep two cows and calves, pigs and fowl without limitation. If the member owns more cattle than the above-mentioned number, it is handed over to the co-operative as his share in the livestock and machinery. A member is entitled to hand over his share in livestock and machinery in such a way that it has to be returned in case he leaves the co-operative. Then his horse, cow, etc., are given back to him or he sells it to the co-operative and is paid for it. In the Agricultural Co-operative Farm the income is divided up among the members exclusively on the basis of the quantity and quality of work done.

Foreigners who discussed these matters with me were most keenly interested in the number, size and rate of development of co-operative farms in the Polish countryside. During the years 1944-1947 when the peasants acquired land within the framework of the land reform, they united in so-called allotment-settlement co-operatives. It had turned out to be much easier to till the land, working collectively. The development of co-operative farms on a mass scale began, however, in 1950 when the number of co-operatives surpassed 2,000. At present we have in Poland more than 10,000 producer co-operatives which embrace more than 6 per cent of peasant families and cultivate more than 10 per cent of the total of arable land owned by the peasants.

The following table illustrates the development of producer co-operatives.

Year	Number of members in thousands	Total area in thousands (ha.)	Horses, cattle, pigs & sheep in thousands			
1949	6.1	41.5	3.3	7.6	7.8	1.6
1951	85.6	709.8	54.4	170.0	213.6	75.6
1953	197.8	1,500.0	125.0	366.0	490.0	224.0

The producer co-operatives cultivate a much higher percentage of industrial crops than individual farms. The most important such crop is the sugar beet. Here the average crop yields in co-operatives are 5-10 per cent lower than in individual farms. The crop from 100 ha. of land in use is lower in producer co-operatives than in individual farms, but the milk yields of cows and the animal production per employed person is higher in the producer co-operatives. Below is a table showing the differences in the average production of certain agricultural articles in individual farms and producer co-operatives in 1954.

Crops	In individual farms	In co-operative farms, inclusive of garden plots
Grain (quintals)	30	48
Potatoes	102	127
Sugar beets	53	68
Milk (lbs.)	2,650	3,030
Pigs (Nos.)	2.5	4.8

Producer co-operatives supply our national economy with 15 per cent of the grain bought from the peasants on the basis of contract purchase and 25 per cent of the industrial crops; they sell the State 13,200 litres of milk per 100 ha. of land in use while individual farms sell only 11,300 litres. At the same time they guarantee the peasant families who are members of the co-operatives a higher income than individual farmers can get.

The total income per ha. of land in use increased from 1951 to 1954 by 31 per cent and the same increase can be noted in regard to the earnings per family. The property of the co-operative farms is also on the upgrade. If we take the value of accumulation per ha. of land in use in 1951 as 100, the increase amounted in 1952 to 193, in 1953 to 251, and in 1954 to 306.

It should be stated that this is, on the one hand, the result of the collective effort of the members of the co-operatives and, on the other hand, of the aid granted by the State. The most effective form of such help in the sphere of production is the co-operation between the State Machine Centres and the co-operative farms. In 1951 the SMCs' share in field work amounted to approximately 50 per cent and in 1954 to 60 per cent.

We are not satisfied with the rate at which the peasants are joining producer co-operatives. Collective farming has become very popular in what we call "the new villages", that is to say among those peasants who acquired their land as a result of the Land Reform. But it has not yet embraced the wider ranks of the peasants living in the "old villages". We can also not be satisfied with the fact that there exist a certain number of co-operatives which are not models for socialist farming. Not all the producer co-operatives make sufficiently effective use of the assistance granted by the People's State. A problem the solution of which requires a great amount of economic and organisational energy is to exert such influence on co-operatives that collective farming would become increasingly popular, so that its development would constitute a guarantee of the steady increase in the income of the peasant who is a member of the co-operative, so that the income from the garden plot would yield only an additional, auxiliary income.



THE HIND BANK LTD.

4, Brabourne Road, Calcutta-1.

FOR COMPLETE BANKING SERVICE

SUBSCRIBED CAPITAL . Rs. 1,00,00,000
 PAID-UP CAPITAL . . . Rs. 50,00,000
 RESERVE FUND Rs. 26,00,000

Connections in all principal centres of the world

Chairman General Manager
Mr. K. P. GOENKA Mr. S. D. PARDIWALLA

Economic Report from the U.S.

THEORY OF ROLLING READJUSTMENT

(BY GUY SIMS FITCH)

DETROIT, May 15.—It appears that the US may have an opportunity in 1956 to put to the test an economic theory that has been gaining considerable prominence in recent years—the theory of the so-called “rolling readjustment.” This means, in essence, that downturns—or adjustments, to put it politely—that may occur in one or more industries from time to time are offset by concurrent upturns in other industries. As a net result, the general level of business as a whole remains high, and may even rise. Some economists have seen in this characteristic of the post-war American economy an end to the orthodox business cycles of past periods.

The validity of such an assumption requires more than a few years' testing, of course. Nevertheless, it is a fact of this spring of 1956 that strength and stability continue to dominate the American economy at the very time when the important automobile industry is cutting production and laying off workers in Detroit and other automotive centres. In a sense, the automobile industry is suffering from overdoses of prosperity—its own booming prosperity last year, and the continuing overall prosperity of the US this year. Last year, the industry turned out the astounding record of nearly 8 million automobiles, and sold an equally unprecedented 7.2 million. But it did this at the expense, apparently, of part of its 1956 market. Some slowdown this year was expected, if only to sell out at least part of the inventory—some 800,000 cars—that had accumulated in 1955. But sales so far in 1956 have not quite kept pace with the reduced output which is now running about 20 per cent below last year's rate. Inventories are now at 900,000 level.

The industry thus faces the strange situation of finding 1955 referred to as a year of setback—even though production and sales are almost bound to reach the 6-million mark and to better those of any other year except 1955 and possibly 1950. Unless viewed in perspective, this setback can easily be exaggerated. It is noteworthy that automobile production and sales in the two years 1955 and 1956 combined will far exceed

those of any other two-year period. Production is likely to add up to 14 million units or more and sales may well reach or surpass 13.5 million. Automobile manufacturers themselves anticipate some improvement in their position as the year progresses. They attribute much of the lag in sales to the unseasonably cold weather that continued through April over large parts of the country, and expect some pick-up in activity now that the weather finally is warming up. Looking further ahead, they are counting on an upsurge in sales with the introduction in October and November of new 1957 models—which, according to present plans, will incorporate extensive changes in styling and several mechanical innovations. All told, the industry is pouring this year more than \$1,000 million into model changes.

This is of small comfort to those workers who have been laid off—about 130,000 in an industry that employs nearly one million. Of more immediate benefit to them are the State unemployment compensation payments they are receiving. And beginning June 1, many of those still out of work at that time will receive supplemental unemployment benefits from the automobile companies, under the terms of the labour-management agreements signed last year. Yet aside from Detroit's special problems, the slump in the automobile market has had little visible effect to date on the overall economic picture. National employment and income remain high, and consumer spending continues at record rates.

Indeed, business has been so good and the demand for materials so insistent that it is questionable whether the automobile industry could have matched last year's production in any case. American industry is in the midst of the greatest plant expansion it has ever undertaken. Construction is booming. Far from feeling the effects of the decline in automobile requirements, the steel industry is hard pressed to meet the demands on its other customers. When its final record is written, 1956 may yet emerge as the best year for the American economy.

Specially Written for India

The Essence of Management

by Mary Cushing Niles

The first management book written expressly for India provides a comprehensive interpretation of the best Western management thinking and practice for evaluation and use in India's industrial expansion. Mrs. Niles weaves together the threads of efficiency, democracy, and human relations, uniting scientific management ideas with new findings from social science research.

Rising managers already in responsible positions are the first audience for this stimulating book. Top managers, teachers of management, students of management and capable persons already at work will benefit from careful study of this book and Mrs. Niles's use of much literature hitherto available only in journals and in reports of management conferences.

Demy 8 vo.

pp. 460

Rs. 12

Orient Longmans

Kanson House, 24/1, Asaf Ali Road, New Delhi

The Business World

NATIONALISATION X-RAYED

By

CROESUS

THE literature in favour of, and against, nationalisation is quite considerable. In our own country, ever since the Indian business community started campaigning for the nationalisation of railways, enough has been said for and against nationalisation. Time was when the Government of the day disdained nationalisation, but the Government of today, of the Sovereign Democratic Republic of India, seems to think that nationalisation is the one panacea for all evils. So blatant has been the pleading in certain quarters for nationalising this industry or that trade that one is often constrained to advise these enthusiasts that a more fertile field perhaps for exercising their imagination lies in popularising the myriad cure-all patent medicines. However, it is amazing that, even on so important an issue as this, there has not been a dispassionate examination, taking into account the peculiar conditions of this country against the prevailing background of the world. But this lacuna has at last been removed by Dr. John Matthai, who chose for his address to the Bombay Rotary Club last Tuesday (15th May) this most stimulating theme. When one reads in the morning papers of the day the title of his talk, “The Case for Nationalisation”, one surely did not expect that he would straight-away begin by making the point that “there is no case for a general application of the principle of nationalisation, and that private (or, as I prefer to call it, free) enterprise should be the rule. State enterprise being confined to cases where there is proved necessity for it”. Nevertheless, none could accuse Dr. Matthai as being anti-theoretical; on the contrary, he categorically stated in the same talk: “there are conditions under which State enterprise is required for developing industries in India”.

It is noteworthy that the learned Doctor successfully demolished both the justifications put forward for nationalisation in the recent statement on Government's industrial policy, namely, the acceptance of a socialistic pattern of society and the need for speedy and planned development. “This is not supported, either by socialistic thinking or socialistic practice”, he declared. Since protagonists of socialism swear by Karl Marx (although, in the same breath, some of them say Karl Marx is outdated), I think Dr. Matthai did well to put forward the pertinent thesis that the conditions that prevailed in the days of Karl Marx which prompted him to give the central place in his thinking to the socialisation of the means of production, have radically changed. In the opinion of Dr. Matthai, inasmuch as Karl Marx assumed that the State was identified with the propertied classes, he could not very well be depended upon to judge fairly between capital and labour; nor could Karl Marx anticipate the vast progress of political democracy since his days or foresee that a time would come when Governments would be based on adult franchise, as it is today in our own country. Another interesting point that Dr. Matthai made was that, at the time of the Bolshevik Revolution, there was no democratic government worth the name. Hence his thesis that, “in India, with a parliament based on adult franchise and having sovereign powers, nationalisation as an agency of socialism has little place”.

Dr. Matthai also subjected to a critical analysis the general theory of Lord Keynes advocating Government

participation in industry as a means of relieving economic depression by providing a spur to the revival of economic activity. According to him (Dr. Matthai), Lord Keynes' thinking only amounted to a scientific vindication of President Roosevelt's New Deal and his New Deal experiments, which business men generally regarded even then as an indication of the Government wanting to take a progressively larger share in business and which made capital shy and delayed investment. This, he said, should provide both a lesson and a warning, the lesson being that there are circumstances in which nationalisation will serve a useful purpose and the warning being that it will do so subject to limitations which must not be overlooked. In this connection, this significant extract from Lord Keynes was given by him: “It is not the ownership of the instruments of production which it is important for the State to assume. If the State is able to determine the amount of resources devoted to augmenting the instruments and the basic reward of those who own them, it will have accomplished all that is necessary.”

This, in fact, is also the advice that Dr. Matthai felt constrained to give to the Government of India in connection with the second Five-Year Plan, with particular reference to the Government's latest Statement on Industrial Policy. If it is accepted that this is all the task of the State, it follows that our Government (or is it the Planning Commission?) can be said to have already satisfactorily accomplished its right task, in that it has laid down a general plan and indicated how all economic activities must conform to the Plan. But, it must be added, it has also gone one step further in assigning duties to the private and the public sectors with perceptibly more emphasis on the role of the latter. But Dr. Matthai said he would reverse the order and emphasis and make free enterprise the normal practice. It might be argued that, after having formulated so comprehensive and ambitious a Plan as the second Five-Year Plan to say that the Government has nothing more to do would be rather queer. But, as the Doctor elucidated, “it is not sufficiently realised that the task involved in directing and fixing economic development in the country to the policy requirements of the Plan would be so enormous that the direct participation in the ownership and management industries, in addition to it, will place a large and unnecessary burden on the administrative and financial resources of the Government.” However, unlike a few destructive critics, he was not so pessimistic as to suggest that the Plan would not work at all; for given sufficient concentration of effort and a reasonable measure of luck,—important provision though—he saw no reason why it should not. At the same time, he emphasised what this would mean, namely, that Government's resources in both finance and personnel should be carefully conserved and not dispersed.

Taking up the second ground put forward for nationalisation, namely the need for speedy and planned development, Dr. Matthai asked whether the Government's organisation and administrative resources were capable of meeting the demand for speedy development through nationalisation and he had no hesitation in unequivocally answering this in the negative. His reasons for doing so, which no

objective student of economic history would dispute, were: (1) India, for its population and area, is one of the most under-administered countries in the world, even for the normal purpose of Government.

(2) While we were able to take over from the previous government a first class going concern, the momentum of the old government, although still active, has begun to slacken; if the decline is not still being felt to its fullest extent, it is because this has been offset by the dynamic leadership of the present Government. It will be conceded by all that this leadership will not, and cannot, be permanent. Indeed, the concern of most thinking people in the country today is what will happen to India when the present leadership ceases to be?

(3) The permanent civil service, as in most other countries, "is too slow in taking decisions, too much governed by precedents, too legalistic, too fearful of change and experiment even to provide the elasticity, flexibility, initiative and the willingness to take risks, make mistakes, and lose money, which are called for in any successful enterprise". Dr. Matthai viewed with concern certain other features that have begun to characterise our civil servants, such as the giving up of the old practice of rotating civil servants at the top level between Central and State Governments and the consequent lack of personal contact with problems on the spot, the diminishing, in real terms, of the remuneration paid to the civil servants and, what is perhaps even more serious, the tendency of some civil servants to anticipate the opinion of Ministers and adopting it as their own instead of stressing their own independent judgment, as in the past.

All these and the few disturbing factors that have come to play since launching the present Five-Year Plan which will further add to the difficulties of carrying it out, such as the dislocation caused by the re-organisation of the States, the deterioration of our relations with certain neighbouring countries and the resultant increase in the expenditure on defence, and the fresh inflationary trend which has begun to appear in most countries of the world with its likely effect on this country, make one thing clear which Dr. Matthai stressed, and rightly so. It is that the Government of India have their job in the near future fully cut out for them in seeing that economic development conforms to the general policy laid down in the Plan without going further and undertaking direct participation in specific industries. In this connection, it is noteworthy that Dr. Matthai did not share the view that the Government's responsibilities would not increase very greatly, if the management of the nationalised industries were entrusted to public corporations. But, whatever the degree of autonomy wasted in such corporations, the responsibilities inherent in the management of public funds would oblige Government to keep a close watch on its operations, including the not very helpful intervention of the audit department, and to have the right of issuing directives on matters of general policy affecting the public interest as he observed. Now it is most difficult to draw a line between what is day-to-day working and what is public interest. In a country like ours which has achieved sovereignty for the first time especially, the tendency generally is for the Government to place a very wide interpretation on public interest and to issue directives on matters which affect even day-to-day working, as witness the situations which frequently arise with regard to interpretations in Parliament. According to Dr. Matthai, this leads Ministers to assume a degree of responsibility for the working of public corporations which clearly

constitutes an abuse of the right to issue directives and to answer questions in Parliament. It is most disconcerting to hear such a responsible individual as the Chairman of the State Bank of India, the Vice-Chancellor of the Bombay University and one who has held the highest positions in the Government of India, both before and after independence, that on certain matters "replies by Ministers have been not merely unwarranted but almost invariably factually incorrect!" If this is where whatever attempts at nationalisation that have been taken so far are leading us, there can be no two opinions that "it is in the Government's interest to proceed slowly and with caution in the matter of nationalisation". Enthusiasts of nationalisation will also do well to bear in mind this further warning of Dr. Matthai that, "if the experiments in nationalisation meet with disappointing results, the reaction on the pattern of society that Government are trying to build will be serious". To pursue, therefore, a policy in the name of an ideology that not only not takes us nearer the goals that we have set before us but is also likely to land the country in trouble is neither wise nor realistic. Before proceeding to nationalise, therefore, the authorities should make sure that any proposed measure of nationalisation satisfies the following four-fold criterion laid down by Dr. Matthai: (i) that it is limited in scope, (ii) that it has been applied selectively and not in certain categories of industries but to specific industries, (iii) that the approach to it has been empirical and (iv) that, as far as possible, it will be decentralised.

When the ordinance seeking to nationalise life insurance was promulgated by the Government of India, there were country-wide protests questioning the wisdom of the move. But the official spokesmen ignored them either as being interested or as being ill informed. I wonder what they will now say to this categorical assertion of a former Finance Minister of India: "I have read every statement made by those in authority justifying nationalisation of life insurance and I must confess 'I am as unconvinced as ever'". There may perhaps have been at least a semblance of justification for nationalisation of life insurance, but, as Dr. Matthai has maintained, it is difficult to imagine a case less suitable for nationalisation than the Kolar Gold Fields which are now being sought to be nationalised. Be that as it may, here are two tests that Dr. Matthai set out as being very important in regard to any industry that is sought to be nationalised, namely, (i) that it must be established that, in the national interest, there is a good case for it, and (ii) that the public as well as the interests concerned know definitely the grounds on which the final decision is taken. In effect, this would mean that the policy which the Government should adopt must be one of "discriminating nationalisation". And the test by which the discrimination is exercised, as he very rightly added, should not only be clearly laid down, but the necessary enquiry in this behalf should be made not by the Government, but by an independent body with requisite experience whose judgment would command confidence.

In conclusion, it is necessary to reiterate what Dr. Matthai said, that if large sections of people in the country are worried about the loose talk of nationalisation still going in high places today, it is because "the country needs all the free enterprise now available for its development, and also because there is no justification either practical or ideological, for the decline resulting from Government policy in freedom of enterprise which, in reality, is one of the greatest freedoms in a democratic country". And let us remember that, under our Constitution, India is a sovereign democratic republic.

BUSINESS NOTES

THE MALADY AND ITS CURE

MORE THAN eight months have passed since the commencement of the 1955-56 cotton season, but futures trading was put out of commission as early as December 23, 1955 with the result that hardly any hedging facility was available to cotton interests for the greater part of the season. In the event, jobbers, traders, mills and last, but not the least, the growers have all been equally affected. It is in the interest of all, therefore, that an earnest attempt must be made to diagnose the malady that cotton has been heir to for the past four months and to prescribe a suitable remedy.

In brief, the cotton stalemate has sprung from the prolonged tug-of-war between the Forward Markets Commission, on the one hand, and the East India Cotton Association, on the other. The battle for supremacy between these two bodies took a serious turn when the President and the Vice-President of the Association submitted their resignations. Because it feels it is firmly entrenched in a position of strength, the Forward Markets Commission cannot be expected, in the normal course, to pay much heed to the wishes of the trade in the matter of resumption of forward trading.

In this connection, the bunch of eleven letters from the Commission to the E.I.C.A. President suggesting certain amendments in the Association's constitution and by-laws assumes great significance, because therein lies the solution to the whole cotton problem.

The trade, as represented by the East India Cotton Association, and the Forward Markets Commission are not agreed on a number of issues raised in these letters which are basically linked to the working of the futures market. The most controversial point about which there is strong difference of opinion is the fixation of tendering differentials which, incidentally, was responsible for a serious crisis resulting in the suspension of trading in futures for over two months two seasons ago. While the Commission would seem to be inclined to change the present by-law 55 and adding a new provision for fixing tendering differences on the basis of varietal differentials, that is, on the basis of the intrinsic merit of the contracts, the trade is clearly against this suggestion. According to the trade, this is not just a change, but a radical departure from the present procedure. The strongest argument against such a proposal is that it carries with it seeds of artificial price disparity. This would mean that the trade would have to keep extra constant watch over the price situation all the time and take remedial measures in time.

As regards whether delivery contracts should be transferable or non-transferable, again, the FMC and the EICA have so far failed to reach common ground. The Commission recently brought to light cases where free transfers of contracts are alleged to have taken place when they were actually supposed to be non-transferable. According to the Commission, this contravenes the provisions of the Forward Contracts (Regulation) Act. The delivery contracts entered into with the mills cannot be viewed in the same light, for they are not actually transferred but are definite sales. Again, inasmuch as delivery contracts made as between traders are in the nature of buying and selling daily, the clearing should be on a monthly basis and not on a weekly basis as the Commission is reported to have suggested. It must also be noted here that trading in delivery contracts affords hedge facilities

against purchases and sales of spot cotton. What is more, there have been occasions when prices of delivery contracts have been cheaper than those of cotton sold in the interior, making it advantageous for the dealer to buy delivery contracts for specific deliveries and quantities rather than buy in the interior.

In regard to the question of open survey system also, both the Commission and the Association would seem to be at loggerheads. The prevailing system, according to the trade, needs no change. If at all the Commission insists on some alteration, the trade would vote for the reintroduction of the system that prevailed before the appointment of the sworn surveyors. The trade would also insist on wide representation being given to different sections of the trade before selection of members for the various survey panels.

If some sort of an agreement were arrived at between the Forward Markets Commission and the East India Cotton Association on all these fundamental issues, the resumption of futures trading could be speeded up. With the resignation of Shri Purshotamdas Thakurdas and Shri Chimanlal Parikh, it is felt in certain quarters that the Commission might not encounter very staunch opponents to its view. Even so, it is only if the EICA takes care to see that everything is in the best interests of the trade and is not content merely to sign on the dotted line that cotton futures trading in Bombay may be expected to be resumed.

COASTAL FREIGHT RATES RAISED

A FURTHER increase of five per cent in the coastal freight rates meets the demand of the shipowners, but, again, only partially. It may be recalled that the Government had allowed the Indian Coastal Conference to put up the rates by five per cent earlier, that is, from October 1955 as a measure of 'interim' relief, pending receipt of findings of the Rail-Sea Co-ordination Committee. The Conference has, however, been urging an increase in the freight rate on coal and general cargo to the extent of at least 15 per cent which would mean an additional income of Rs. 150 lakhs.

Except for the two recent changes referred to, coastal freight rates have remained practically unchanged since 1951, although, during this time, the costs of operation have increased steadily. In contrast, the liner rates in the various overseas trades have been subject to several increases owing to the substantial increase, in the initial purchase and operating costs of steamers. The Indian shipping companies also are incurring considerably higher expenditure due to increases in stevedoring charges, cost of repairs and maintenance, wages of floating staff and the cost of bunkers. But this has not been accompanied by a commensurate increase in their freight rates, which, we are told, is the reason for there being no expansion in the coastal tonnage to the desired extent during the last few years. Apart from wages, stores, and victuals and the stevedoring charges that have increased and are likely further to increase substantially, thanks to the introduction of the piece-rate system of payment, there are other factors besides which have also to be taken into consideration. One of these is the high cost of ships. Thus a standard coastal ship, which used to cost only about Rs. 44 lakhs in 1950 would now cost as much as Rs. 80 lakhs. This means that, on every new purchase, our shipping companies would have to earn double the freight they used to earn in 1950 in order to justify the investment.

Another reason why coastal shipping has not been able to make appreciable progress is that coal cargo, which is its mainstay, is not available to it in the required quantities, the bulk of internal transportation being done by rail. This is despite the fact that Indian coastal shipping freights for transportation of several commodities are considerably lower than the corresponding railway rates. The only commodity in respect of which shipping rates are higher than railway rates, is coal. But this is due to the fact that rail freight on coal is far below the actual cost of operation. In other words, in carrying coal, the railways are actually subsidising industries to the extent of the loss incurred by them on the movement of coal. Inasmuch as coal is the mainstay of coastal shipping there is need for a re-examination of the policy of the railways in regard to the rates they charge for movement of coal. Meanwhile, it is gratifying to find that, as a result of representations made by coastal shipping interests, some diversion of transportation of coal cargo from the railways to coastal shipping is under way. The Rail-Sea Co-ordination Committee has been examining, among other things, the existing pattern of trade movements within the country of commodities with a view to determining as to which of them could be more suitably carried by the sea route.

Ships are eminently suited for the carriage of bulk cargoes such as coal, cement, salt, fertilisers and structural steel. If coastal operations are to become really economic and profitable, it is necessary that colliers carrying coal from the East to the West Coast are assured of adequate return cargo in the shape of salt, cement and such other commodities. The volume of return cargo available from the West Coast to the East is estimated at just about half the cargo carried in coastal ships from the East Coast to the West. This means that ships often have to return in ballast or with unutilised space which again lead to enhanced costs of operations. It is imperative, therefore, that, as a corollary to diverting coal from the rail to the sea route, the railways should, as far as possible, make over to ships more and more of such cargoes as salt, cement, raw cotton, textile goods and other manufactured articles, by evolving a properly integrated policy of rail-sea co-ordination.

NOT CONTROVERSY, BUT CONSTRUCTIVE APPROACH

THE OPENING of the India Exchange at Calcutta on May 10 last provided an occasion where a good deal of plain speaking was made on behalf of the two sectors in the economy. Now that the Government's industrial policy has been restated any further controversy on the respective merits of the public and private sectors or on the superiority of the one over the other must cease. In fact it has long ceased to have any useful purpose since it has been quite obvious that the conditions and the tasks imposed on the Indian economy require the co-existence of the two.

Mr. B. M. Birla, Chairman of the India Exchange, was constrained to point out that the old habit of considering the existence of the private sector superfluous in view of the acceptance of the goal of socialism was slow in dying. There was often a talk about concentration of economic power in the hands of a few private individuals or groups of individuals. This assertion was essentially hypothetical. Mr. Birla, however, put a pertinent question whether high concentration of economic power in the hands of the Government of which potential germs were in evidence was not a threat to the sound and balanced development of the economy. Such concentration tended to centralise initiative in the hands of a few at the government level. The prospect of incentive

languishing under such a situation was by no means imaginary. He expressed the hope that adequate caution would be exercised to ensure that the new trend in the Government's assumption of greater powers does not degenerate into authoritarianism. A constructive approach made it imperative to recognise that conditions should be created which would be conducive to arming the two sectors with the resources they need. In this context, Mr. Birla urged the necessity to reconsider the taxation policies which had a marked effect to depress new investment and higher standards of consumption. He also explained that the size of the tasks to be performed by the private sector necessitated Government's positive help and encouragement in certain vital spheres. Speaking at the annual meeting of the Indian Chamber of Commerce, Calcutta, on the next day, Mr. N. L. Kanoria, the Chairman, urged a flexible approach and pointed out the specific case of the impressive coal target of additional production of 23 million tons and explained how the private sector's offer to accept the entire responsibility for itself was turned down by the Government on a dogmatic ground.

Mr. T. T. Krishnamachari who performed the opening ceremony of the buildings was much less correct in some of his assertions than he was outspoken on the attitude of the private sector. It can certainly be questioned seriously whether the private sector has not measured up to the full scale of responsibilities allocated to it so far. His remark to the effect that opposition to the flow of foreign capital in this country emanated mainly from the private sector has hardly a basis of reality. Private enterprise in this country has no doubt emphasised the superfluity of foreign capital in enterprises where indigenous capital was forthcoming and technological skills of a high order did not raise any problems. The numerous flotations of enterprises on a basis of collaboration between Indian and foreign private capital in the post-independence era ought to be taken as indicators of the real attitude of the private sector.

SEAMEN'S SERVICE CONDITIONS

TO THE nascent merchant navy of India, maintenance of peace in the shipping sphere is of vital importance, but this has been conspicuously absent during the past few months. Both the Bharat Line and the Scindia disputes have ended only recently, and that too after the intervention of third parties, and, it seems, the recrudescence of similar troubles in other shipping companies cannot be altogether ruled out. But, if the report of Mr. C. P. Srivastava, accompanying his arbitral award in the dispute between the Bharat Line and the Maritime Union of India, were to be followed as a model in determining employer-employee relations in the shipping industry, such chances would be greatly minimised.

Briefly, the Maritime Union's demands included a revision of pay scales, an increase of privilege leave from 40 days to 45 days, payment of bonus equal to a month's pay, overseas allowance at 10 per cent of the salary, virtual allowance of Rs. 5 per day during the period of leave granted to an officer and an additional leave benefit of 15 days per year as compensation for Sundays and holidays worked at sea. Now, the wage schedules, leave rules and other service conditions laid down by the Arbitrator represent an improvement on those that existed before April 1, when the agreement came into effect. Mr. Srivastava's plea for standardisation of service conditions in the merchant navy is particularly important, as these vary widely at present. Meanwhile, the classification of officer-personnel, processing of grades of pay and adumbration of rules and regulations governing leave,

probationary period, hospitalisation and other working and employment conditions as laid down in the award should provide readymade solutions to a number of pending disputes between shipowners and seamen's unions.

It is a happy augury of the prospect of future peace in the shipping sphere that the end of the 15-day old strike of the 1,500 home-trade seamen of the Scindia and BSN lines, as also the agreement on bonus for Bombay stevedore labour, has come so soon in the wake of the Bharat Line Award. While the terms of the latter agreement are very much in favour of the employees, a point worthy of special note is the provision to refer, in future, all matters at issue, to an umpire jointly selected by both the employers and the employees. With most of their grievances redressed thus, it is up to the workers now to put in their best effort and bring the coastal traffic in passengers and goods to top efficiency.

TERRITORIAL WATERS

THE RECENT Presidential declaration extending the limit of territorial waters over which India will have sovereign rights from three miles to six miles concerns an issue on which there is no precise international law. Earlier in August last, India had declared her sovereignty over the whole of the continental shelf adjoining her coastline and appropriate steps taken to provide in the constitution for vesting in the State all mineral and other wealth embedded in this region in the same way as all the wealth of the territorial waters of any State rests in that State.

There is as yet no internationally accepted general limit as such of territorial waters though an abortive attempt was made as far back as 1925 by the League of Nations to establish an International Convention favouring a three-mile limit, with exceptions in special cases. The United Nations General Assembly has now taken up the issue once again and it is scheduled to come up before the Assembly this year. As several states held divergent and uncompromising views on the subject, the International Law Commission which met in Geneva towards the end of last year could not come to any final agreement. However, the judgment of the International Court of Justice in the Anglo-Norwegian Fisheries case some four years or so ago, seems to imply that islands close off the coast form part of the mainland, while the sea passages between them, even where more than six miles, would constitute internal waters. The judgment thus placed reasonable limitations on the extent of internal waters. Given state sovereignty over the territorial set up to a limit of say 12 miles, it follows that outside this limit a State has limited rights of jurisdiction for particular purposes, economic, protective or others. It will be seen that the limit of three miles evolved in the eighteenth century has now become outdated. The only solution to the problem would appear to be to allow each state to determine its own limit of territorial waters as necessitated by its geographical and economic requirements subject to a maximum limit of 12 miles and such marginal adjustments as may be necessary.

While territorial waters constitute the belt of the sea around the coastline, the continental shelf denotes the extension of the earth into the seas from the coast line, which, in reality, forms part of the soil of the State. The continental shelf around India's coast extends far beyond the country's territorial waters, varying between 20 and 30 miles along the Orissa coast and over 200 miles off the gulf of Cambay. The development of modern techniques for the exploitation of

submarine mineral deposits, such as iron, coal and oil, along the continental shelf has lent economic import to this projection, which was formerly claimed only for purposes of navigation and fishing. It is believed that while the continental shelf adjoining the Travancore coast contains deposits of monazite the Bengal basin contains oil. To the extent that India will be enabled to exploit these resources, the concept will be appreciated by her people.

SYNTHETIC VS. NATURAL RUBBER

PLANS TO step up production of synthetic rubber in the USA, the formation of a new company to manufacture it in the U.K., and the provision for a synthetic rubber industry in schedule B of the latest Industrial Policy Resolution of the Government of India, have all come as a challenge to natural rubber producers. Synthetics have come to stay, and, with the advance of science, one is bound to see a further widening of their range and several improvements in their properties.

Production of synthetic rubber in the Free World in 1955 was estimated at 1,805,000 tons and consumption at 1,055,000 tons, against the output and consumption of natural rubber at 1,895,000 and 1,830,000 long tons, respectively. Last year was the first year in which world output and use of synthetic rubber passed the million-ton mark. The new year actually began, therefore, with a little carry-over from 1955. This apart, under the influence of higher synthetic production in the US and the cut-back in motor car activity on both sides of the Atlantic, prices have generally continued the decline that set in last autumn—though, for some time past, the market has been stable, albeit quiet. Even so, indications, presently at any rate, are that prices generally this year as a whole will move substantially lower than in 1955.

Rather than predict the future of natural rubber it is perhaps easier for one to state that natural rubber producers can, and ought to, try their best to safeguard their future. Fortunately for natural rubber, there have always been a few men with vision prepared to support research and development work. And so we see natural rubber today used more efficiently in conventional ways, besides explaining outlets in some new directions as foamsponge cushions, for example. Truly, the hope for the future of natural rubber lies, therefore, in intensifying research and development.

The present position is that the total demand for rubber in the world far exceeds the capacity of the synthetic factories. If only because of this, there is bound to be a substantial outlet for natural rubber. As in the case of other commodities, in the case of natural rubber also, prices are governed by the usual laws of supply and demand. But, looking further ahead, it seems that the problem would be a question of equation of costs of natural and synthetic rubber. This means that natural rubber interests must adopt relatively more efficient methods of production than now. The most important of these of course is a programme of replanting. Natural rubber producers have got to have faith in their own future and be prepared to replant, even though this means a temporary loss in production, in order that they may take advantage of higher-yielding strains at least for future production.

The very fact that natural rubber prices have remained as steady as they have been recently, despite adverse news, lends substance to the belief that there is still no unmanageable rubber surplus on the market. Whether or no this indicates the prospect of a price recovery in the immediate future is more than one can say. What appears fairly certain on present indications is that the primary trend of natural rubber prices in the face of the increased challenge of synthetic rubber would be downward, so long at any rate as the two are within reach of competing with each other.

THE CASE FOR NATIONALIZATION

[The following is the text of a talk on the above subject delivered by Dr. John Matthai, Chairman, State Bank of India, at the Rotary Club, Bombay, on 15th May 1956.]

THE point I wish to make is that there is no case for general application of the principle of nationalisation and that private or, as I prefer to call it, free enterprise should be the rule, state enterprise being confined to cases where there is proved necessity for it. In such cases, the decision should be based on 'a priori' considerations applicable to industries generally or to categories of industries but to particular industries on the merits of each. The Government's statement of industrial policy relies on both state and free enterprise for industrial development, but it places greater stress on state enterprise. I agree that there are conditions in which state enterprise is required for developing industries in India, but I would reverse the order of emphasis and make free enterprise the normal practice, but if an industry is to be nationalised, the case for it should be established beyond doubt.

The recent statement of Government's industrial policy in its preamble puts forward two grounds for nationalisation, one is the acceptance of a Socialist Pattern of Society and the other the need for speedy and planned development.

The impression that nationalisation is an essential element in socialism is not supported either by socialist thinking or by socialist practice. As regards the latter, the British Socialist Party having experimented with nationalisation while in office for five years is now reacting against it. The feeling is growing that none of the objectives of a socialist society are necessarily served by nationalisation. On the other hand it is felt that regulatory and fiscal legislation by a Parliament, which represents the whole community, can achieve this better.

As regards socialist thinking, if Karl Marx is to be accepted as the father of theoretical socialism, there is no doubt that he gave the central place in his thinking to the socialisation of the means of production. At the time he wrote, partly through increase in population and partly through the substitution of machinery for manual labour, there was an excessive supply of labour and the employer by his ownership of plant and machinery held an unfair advantage in bargaining with labour, which reduced wages to subsistence level. But in most countries in Europe then, government was despotic; such franchise as there was, was based on property rights. Karl Marx assumed therefore that the state was identified with the propertied classes and could not be depended on to judge fairly between capital and labour. Karl Marx could not anticipate the vast progress of political democracy since his days and that a time would come when government would be based on adult franchise. That has now happened in many countries and legislative measures for controlling industries and safeguarding the rights of labour have been adopted by them. The need for socialising the means of production as an instrument of social justice in the sense of a fair distribution of rewards, the removal of gross disparities of income and the provision of satisfactory conditions of work no longer exist in democratically governed countries, since all these projects can more conveniently be secured by appropriate legislation. It is significant that in Russia at the time of the Bolshevik revolution, there was no democratic government worth the name and it was because of this that the thesis propounded by Karl Marx came to be universally put into practice.

In India with a Parliament based on adult franchise and having sovereign powers, nationalisation as a necessary agency of socialism has little place.

Lord Keynes in his book "The General Theory" regarded government participation in industry as a means of relieving economic depression like the one in 1929 by providing a spur to the revival of economic activity. His thinking in effect amounted to a scientific vindication of President Roosevelt's New Deal. It is worth observing that although the policy of New Deal led to a revival of economic activity, the suspicion it caused in the minds of business men generally that it was an indication of government's intention to take a progressively larger share in business made capital shy and delayed investment. The New Deal experiment of government participation in industry provides therefore both a lesson and a warning. The lesson is that there are circumstances in which nationalisation will serve a useful purpose. The warning is that it will do so subject to limitations which must not be overlooked. The general view that Keynes held is stated in his book in the following words—"it is not the ownership of the instruments of production which it is important for the state to assume. If the state is able to determine the aggregate amount of resources devoted to augmenting the instruments and the basic reward to those who own them, it will have accomplished all that is necessary".

The definition of the state's essential part as the determination of the aggregate amount of capital resources to be devoted to development and the basic reward to those who own them means that the primary business of the state is to provide the frame-work within which resources are allocated and rewards are determined. In other words, the state's business is to lay down a general plan and all economic activities whether by state or by free enterprise must conform to the plan.

India has just come to the end of the period covered by the first Five-Year Plan and is about to enter on the second Five-Year Plan. The first Five-Year Plan in my judgment was not a plan but would be more accurately described as a programme of piecemeal development. With the exception perhaps of the Community Projects, every project included in the first Five-Year Plan had been designed and partially erected before the National Government came into power.

Two changes occurred since then. In consequence of the improvement in the food supply and stabilisation of food prices, due to the American Wheat Loan, to successive good monsoons and to the progress of irrigation, it became safer to supplement available resources by deficit finance. Secondly the latter part of the first five-year period was marked in most countries by a revival of economic activity unprecedented since the cessation of war. Partly aided by the Plan, India shared in this revival and was able to fulfil most of the moderate targets laid down in the first Plan.

While it is a matter of gratification that the first Plan has generally proved a success, it is unrealistic to feel complacent on that ground about the prospects of the second Five-Year Plan. The second Five-Year Plan unlike the first is a real plan—a comprehensive overall plan—which seeks to co-ordinate and integrate the different segments of the economy; it is not like

the first a patchwork of isolated projects. Its scope is much wider and the finance it requires is correspondingly larger. It is obvious that the necessary finance cannot be provided wholly by taxation and borrowing and therefore must be supplemented by a large measure of deficit finance. Deficit finance entails serious risks. But, apart from this, there are other difficult problems to face. For a plan so comprehensive and calling for inter-adjustment at so many points, the statistical data available are grossly inadequate and have had to be almost entirely improvised. In the circumstances, it must be expected that maladjustments will come to light at various points in the course of its implementation. Some of the maladjustments which will require to be resolved are those between employment and output of consumer goods, heavy and light industries, large-scale and small-scale industries, state enterprise and free enterprise, production on the one hand and transport and social services on the other and the effect of inflation and high prices on people of fixed and variable incomes.

I draw attention to these aspects of the second Five-Year Plan because it is not sufficiently realised that the task involved in directing and focussing economic development in the country to the policy requirements of the Plan would be so enormous that direct participation in the ownership and management of industries, in addition to it, will place a large and, in my opinion, unnecessary burden on the administrative and financial resources of government. I am not suggesting that the Plan will not work. With sufficient concentration of effort and with a reasonable measure of luck, I expect it will. But it means that government's resources in both finance and personnel should be carefully conserved and not dispersed.

This brings me to the second general consideration in the industrial policy statement which has influenced government's approach to nationalisation, namely the need for speedy development of industries. The question that arises here is whether government's organisational and administrative resources are capable of meeting the demand for speedy development through nationalisation. My view is that they are not and my reasons for this view can be briefly stated.

First, for its population and area, India, I believe, is one of the most under-administered countries in the world, even for the normal purposes of government. Secondly, if the Government of India have done well so far as a government, as they undoubtedly have, as compared for instance with neighbouring Asian countries which have newly achieved independence, it is largely because, unlike them, we were able to take over from the previous government a first-class going concern. The administrative momentum of the old government is still active. Although in recent years this momentum has perceptibly declined at almost every level of administration, the decline has been off-set by the dynamic leadership provided by the present government. But it is unrealistic to think that the natural term of those who form the present leadership can last much longer.

Thirdly, taking the principal instrument of administration, namely, the permanent civil service, making the fullest allowance for the high order of intellectual ability and of personal integrity which by and large prevail in the service, it is common experience in most countries that civil servants "are too slow in their decisions; too much governed by precedent; too legalistic; too fearful of change and experiment ever to provide the elasticity, flexibility, initiative and the willingness to take risks, make mistakes and lose money, which are called for in successful industrial

enterprise". In this context it is worth while to take note of the changes which have occurred in India in recent years in the character and quality of civil servants. The old practice of rotating civil servants working at the top level between the central and state governments has now practically ceased. There is consequently among those who man the services at the centre a serious lack of personal contact with problems on the spot and an increasing tendency to deal with them in a routine, mechanical way. The diminution in real terms of the remuneration paid to civil servants and of the prospects open to them have resulted in a noticeable tendency to look for satisfaction in work not so much to the work itself as to the exercise of bureaucratic authority. With the emergence of political chiefs, civil servants are getting into the habit, while advising Ministers, of anticipating the opinion of Ministers and adopting it as their own rather than stressing their own independent judgment. I agree also with the Prime Minister that the rules of procedure in government departments which answered the requirements of a foreign bureaucratic government are out of keeping with those of a national democratic government.

Lastly, I want to say a word about the Planning Commission. Frankly I have never been happy about the institution of the Planning Commission and the place assigned to it in the structure of government. A Planning Commission logically is or ought to be a body of experts subordinate to the Cabinet. But through adventitious circumstances into which I do not wish to enter, the Planning Commission has become a body of amateurs with whom for all practical purposes final decision rests in matters of economic development. The result is that the Cabinet Ministers concerned with economic affairs have lost much of their initiative and sense of responsibility. This is unfortunate because if it is decided to nationalise industries, it is the initiative and sense of responsibility of the Ministers concerned which must tell.

It must be noted also that at the time of launching the new Plan, some disturbing factors have come into play which will add to the difficulties of carrying it out. First is the dislocation, not merely administrative but psychological, caused by the re-organisation of the States. Next is the deterioration of our relations with certain neighbouring countries which is bound to increase the expenditure on defence. Lastly a fresh inflationary trend has begun to appear in most countries of the world and its reaction upon India may have consequences which it is difficult to forecast.

I have dwelt at this length on the Plan in order to enforce the point that the Government of India have their job in the near future fully cut out for them in seeing that economic development conforms to the general policy laid down in the Plan without going further and undertaking direct participation in specific industries.

It may be objected that these considerations apply only to departmental management of nationalised industries, but that if management is entrusted to public corporations, the responsibility of government would be lessened. In practice it will be found that the responsibilities that fall to government in the case of a public corporation would not be any less. The funds held by public corporations are borrowed from government, or invested or guaranteed by government. Whatever the degree of autonomy vested in a corporation, the responsibilities inherent in the management of public funds would oblige government to keep a close watch on its operations, including the not very helpful intervention of the Audit Department. Besides,

it is the usual practice in public corporations for government to have the right of issuing directives on matters of general policy affecting the public interest. Where the line is to be drawn between day-to-day working and public interest is a moot point in every country which has adopted the device of public corporations. In a country which has achieved sovereignty for the first time, the tendency generally is for government to place too wide an interpretation on public interest and issue directives on matters which strictly speaking affect only day-to-day working. This situation arises also with regard to interpellations in Parliament. A convention has grown up in the British House of Commons that interpellations regarding public corporations, like directives, should apply only to matters of policy. But at the present stage of public corporations in India, an unjustifiable measure of latitude appears to be allowed. The wide interpretation placed on public interest leads Ministers to assume a degree of responsibility for the working of public corporations which constitutes an abuse of the right to issue directives and to answer questions in Parliament. In certain matters with which I happen to be personally acquainted, replies by Ministers have been not merely unwarranted but almost invariably factually incorrect.

I therefore come to the conclusion that it is in the government's interest at the present stage to proceed slowly and with caution in the matter of nationalisation. If the experiments in nationalisation meet disappointing results, the reaction on the pattern of society that government are trying to build will be serious. I suggest therefore—

- (1) that nationalisation should be strictly limited in scope,
- (2) that it should be applied selectively not in regard to categories of industries but to specific industries.
- (3) that the approach to it should be empirical,
- (4) that, as far as possible, it should be decentralised.

There has recently been a tendency on the part of government spokesmen to pronounce in favour of state enterprise generally on the ground that concerns run by free enterprise have been guilty of serious lapses and irregularities. Free enterprise has been at work in India for nearly a century and it is easy in view of the long period and the wide range it covers to find material for allegations as compared with state enterprise. But this is a poor way of judging so important an issue. To one who for some time as Minister of Railways was in charge of the largest public enterprise in India and who at another time as a business man was in charge of the largest free enterprise in India, the Tata Iron and Steel Company, comparisons of this kind carry little conviction.

I do not for a moment deny that in a developing country, there is a case for public ownership and management of certain industries. As an illustration, I would mention transport—railway, road and air. Transport is fundamental to economic development and there is no form of business in which there is greater need for co-ordination. Similarly there are industries, the products of which are required solely for defence purposes and for which a prima facie case for nationalisation exists. On the other hand, as an illustration of a business for which no such case exists, I would mention insurance. I have read every statement made by those in authority justifying the nationalisation of life

insurance and I must confess I am as unconvinced as ever. Another case is the nationalisation of the Kolar Gold mines. The Kolar Gold fields are not a new enterprise; gold is a speculative commodity; the use of currently produced gold as a means of strengthening exchange reserves is diminishing; India's contribution to world production is negligible; the low levels at which gold is now extracted in the mines in question makes it expensive. It is difficult to imagine a case less suitable for nationalisation.

Two things are important where an industry is sought to be nationalised. First, it must be established that in the national interest there is a good case for it. Secondly, the public as well as the interests concerned should know definitely what are the grounds on which the final decision is taken. The policy of government would on this basis be one of discriminating nationalisation. The tests by which the discrimination is exercised should be clearly laid down and the necessary enquiry should be made not by government but by an independent body with requisite knowledge and experience whose judgment would command confidence.

I regard with growing concern the loose talk of nationalisation going on in high places today. I do so not merely because the country needs all the free enterprise now available for its development but because I see no justification, either practical or ideological, for the decline resulting from Government policy in freedom of enterprise, which in reality is one of the greatest freedoms in a democratic community.

RECORDS & STATISTICS (QUARTERLY BULLETIN)

Editor: R. V. MURTHY, M.A.

"The Eastern Economist" Bulletin of Records and Statistics surveys economic trends in each quarter in India and abroad with the aid of graphs and all available statistics. One of its special features is the Investment Supplement.

Annual subscription	Rs. 12
For subscribers to "The Eastern Economist"	10
Single copy	3

Copies can be had from all important Booksellers and Railway bookstalls of Messrs. A.H. Wheeler & Company

For details write to:

THE EASTERN ECONOMIST

NEW DELHI: 52, Queensway.

BOMBAY: Kermani Bldg., Sir P.M. Road, Fort.

CALCUTTA: 28 & 29, Royal Exchange Place Extn.

LONDON: 3, Salisbury Court, Fleet Street.

NEW YORK: 25, Broadway.

COMPANY AFFAIRS

RIISING COSTS AND LOWER PROFITS IN JUTE

From mid-October last year until early March this year, prices of raw jute have risen steadily, with only minor fluctuations, and at no time during this period did any increase in prices of finished jute goods keep pace with the rise in raw material prices. This has resulted in creating difficulties for the jute manufacturers to sell goods at a profit. The steady rise in prices of raw jute has been due, in some measure, to the apprehension that, while supplies may be generally adequate to meet present demands, any recurrence of transport dislocation as a result of flooding during the early part of the coming season might result in there being insufficient raw material from the present crop to meet all the requirements at the increased rate of production till the bulk of the new crop reaches the market. Heavy flooding in Assam and East Pakistan, with consequent breaches in the Assam Link Railway, and later in Orissa, resulted not only in accentuating the difficulties of maintaining jute stocks in mills but also damaging this season's crop to the extent of an estimated 5 to 10 per cent of the total outturn.

Towards the beginning of this year, the Indian Jute Mills' Association decided to increase production by unsealing 2½ per cent of total looms and later in February another 5 per cent, so that only 5 per cent of the total looms now remain sealed. This decision was the result mainly of the heavy reduction in stocks of both hessian and sacking goods, because of an improved offtake during the previous months. A greater demand anticipated in the consuming markets was also partly responsible for the decision to increase production.

KAMARHATTY AND KANKNARRAH COS., LTD.

Both the companies show depressing results for the half-year ended December 31, 1955. Even after taking credit for Rs. 3 lakhs in the case of Kamarhatty and Rs. 2.5 lakhs in that of Kanknarrah, being commission waived by the Managing Agents (M/s. Jardine Henderson, Ltd.) the loss for the half-year before providing for depreciation, amounts to Rs. 2,00,588 and Rs. 3,43,116 respectively for the two companies. Deducting Rs. 24,686 being balance of profit brought forward, Kamarhatty's loss stands reduced at Rs. 1,75,902. The Directors have transferred Rs. 4,07,975 from general reserve account and Rs. 55,000 from provision for taxation which makes available a credit balance of Rs. 2,87,073. Depreciation has been allocated Rs. 50,000 and a sum of Rs. 1,02,449 has been set aside for provision for sales-tax contingencies, which leaves a balance of Rs. 1,34,624. A dividend of Rs. 3 per preference share, free of income-tax, for the half-year under report, absorbs Rs. 48,000 and Rs. 86,624, being the net balance, has been carried forward.

In the case of Kanknarrah, with Rs. 19,297 brought forward, the balance of loss becomes Rs. 3,23,820. The total transfer of Rs. 5,53,425 from general reserve account (Rs. 5,18,425) and provision for taxation (Rs. 35,000), results in a credit balance of Rs. 2,29,605. Out of this, an amount of Rs. 50,000 has been allocated to Depreciation and another Rs. 67,490 to provision for sales-tax contingencies. From the balance, the Directors have recommended payment of a dividend of Rs. 3 for each preference share which absorbs Rs. 30,000, leaving Rs. 82,115 to be carried forward.

Under the terms of the West Bengal Industrial Tribunal's award, the emoluments of a majority of both the companies' employees were increased by about Rs. 3-13 a month. In terms of cost of production, the increase, according to the Directors, represents an additional burden of Rs. 14 a ton.

NEW CENTRAL JUTE MILLS CO., LTD.

The working of the Company for the year ended December, 1955, has resulted in a surplus of Rs. 60,56,404. After deducting the various charges, there remains a balance of Rs. 43,64,163. Deducting further the interim dividends already paid during the year under review, and including the balance brought forward from the previous year, the net sum available for distribution amounts to Rs. 40,56,781. From this sum, the Directors have appropriated Rs. 13,00,000 to provision for taxation; Rs. 11,17,655 have been transferred to general reserve which now stands at Rs. 1 crore. The final dividends to be paid to shareholders are: Rs. 49,000 on 14,000 preference shares at Rs. 3-8 per share; Rs. 77,583 on 19,000 preference shares at Rs. 4-1-4 per share including payment for June, 1955, to preference shareholders of Lothian and Albion Jute Mills Companies both of which have been amalgamated with the New Central and their accounts are included with effect from December 1, 1954; and Rs. 6,41,250 on 8,55,000 ordinary shares at 12 annas per share. This leaves a balance of Rs. 8,71,293 to be carried forward.

The management of the Company changed in 1950. A year later, the working recorded a phenomenal success. But 1952 was comparatively depressing when the net profit available for distribution sharply declined from Rs. 52,54,330 in 1951 to Rs. 11,32,978. The last three working years have witnessed a steady progress. Thus, the dividends paid in 1953, 1954 and 1955 were Rs. 10,71,000, Rs. 11,02,500 and Rs. 15,24,583 respectively. Profit per loom, after depreciation but before taxation, has gone up from Rs. 2037 in 1953 to Rs. 2076 in 1954 and Rs. 2473 in 1955. The Company has undertaken the modernisation and electrification of its various mills, which will cost it approximately Rs. 1 crore and will be financed with its own resources.

KINNISON AND NAIHATI JUTE MILLS

The accounts of the Kinnison Jute Mills Co., Ltd. for the half-year ended September 1955, show, after providing Rs. 1,72,000 for taxation, Rs. 37,000 for reserve for taxation contingencies, Rs. 9,000 for development rebate reserve and Rs. 2,23,000 for depreciation, a profit of Rs. 2,95,566. Adding thereto Rs. 32,590 brought forward from the previous account, Rs. 1,25,000 transferred from provision for taxation and Rs. 1,30,784 transferred from general reserve, the amount totals Rs. 5,83,940. Out of this Rs. 10,000 has been transferred to jute stock reserve, Rs. 1,30,784 to provision for contingencies and Rs. 50,000 to general reserve, leaving a balance of Rs. 3,93,156. The dividends recommended are Rs. 52,500 on preference shares at 7 per cent per annum, and Rs. 2,87,946 on ordinary shares at Rs. 6 per share, both free of income-tax. The balance of Rs. 52,710 is carried forward.

In the case of the Naihati Jute Mills Co., Ltd., the position for the same period is different. It has suffered a loss of Rs. 1,20,910, after providing Rs. 2,61,185 for depreciation and Rs. 1,60,179 for taxation. Adding to the loss Rs. 4,25,342 being loss brought forward from the previous account, and Rs. 33,365 transferred to provision for contingencies, the total loss swells to Rs. 5,79,617. This has been reduced to Rs. 3,19,252 by transferring from reserve for taxation contingencies, jute stock reserve and general reserve Rs. 1,52,000, Rs. 75,000 and Rs. 33,365 respectively. The net loss is carried forward.

Both the companies are managed by M/s. F.W. Heilgers and Co., Ltd.

COMMODITY NEWS AND NOTES

INDIA'S TEA PRODUCTION IN 1955

India emerged as the world's biggest tea producing country in the world in 1955. According to statistics available India produced a crop of 664,550,000 lb. last year compared with Ceylon's 380,010,000 lb. and Indonesia's 95,610,000 lb. In the export field too India topped the list with shipments of 363,090,000 lb. last year against Ceylon's exports of 360,850,000 lb. India's acreage under the crop was 789,471 in 1955 against Ceylon's 574,504 acres. Total tea production in 1955 was 664,554,000 lb. compared with 644,371,000 lb. in the previous year.

NEW WHEAT AGREEMENT

The new International Wheat Agreement recently drawn by the Executive Committee of the U.N. Wheat Conference which is also for a period of three years 1956-59 is in some respects an improvement over the current agreement. Among the striking features of the new agreement is the reduction of five cents in both the maximum and minimum prices. The new agreement provides for a price range of \$1.5 at the minimum and \$2 at the maximum as against \$1.55 and \$2.05 in the current (1953-56) agreement and \$1.50 and \$1.80 in the first (1949-53) agreement. Again, Argentina, which had remained out of the first two agreements is to participate in the pact for the first time. Normally, this should considerably add to the strength of the agreement. But this is threatened to be neutralized to some extent by the U.S. policy to see part of its wheat surplus by way of special bilateral trade deals. Another significant aspect of the new agreement is the reduction in the guaranteed quantities to 303 million bushels from 395 million bushels in the current and 581 million bushels in the first agreement. The share of the leading exporters in this aggregate is USA 132, Canada 1.3, Australia 30, France 16 and Argentina 15.

GOLD PRODUCTION IN RUSSIA

Very little is known about annual gold production in Russia. It is, however, believed that annual output exceeds 10,000,000 ounces. But Russian gold reserves at 200,000,000 ounces are believed to be second largest in the world. Recently Soviet Union has entered the world market as a seller of gold at about 4,000,000 ounces annually. The present estimated Soviet gold reserves are valued at 7,000,000,000 gold dollars and there is some mystery about Russian motives for holding on to this large amount.

SHARP INCREASE IN RUBBER PRODUCTION IN 1953

The production of rubber in India registered a sharp increase in 1953, although the area under it remained more or less at the previous year's level of 1,70,000 acres, according to the 29th issue of 'Rubber in India' brought out by the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture. The production was estimated at 44.7 million lb. during 1953, as against 36.0 million lb. in 1952 and 32.0 million lb. in 1951. Besides an analysis of the rubber position, the publication gives valuable information regarding the number of rubber estimates, persons employed, consumption, prices and trade in India and the world.

STEADY INCREASE IN COFFEE PRODUCTION

There has been a steady increase in the production of coffee (cured) in India during the past few years,

according to the 28th edition of 'India Coffee Statistics', now renamed 'Coffee in India,' brought out by the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture. During the year 1952-53, the output of coffee rose to 59.8 million lbs., as against 54.5 million lbs. in 1951-52 and 54.3 million lbs. in 1950-51. The increase was due to progressive extension of the area under coffee cultivation. In India, Mysore is by far the largest producer of coffee, accounting for about 47 per cent of the total area under coffee in the country. The State of Madras comes next with about 27 per cent of the area, while Coorg contributes nearly 22 per cent. India, however, accounts for only 1.1 per cent of the total world production of this commodity. The quantity of coffee available for home consumption during the year was 45.3 million lbs. About 4.8 million lbs. of coffee were exported, mainly to Western Germany, the United Kingdom, Italy, the Netherlands and France.

SALT PRODUCTION IN INDIA

India has now an exportable surplus of over 100 lakh maunds of salt every year. The production of salt in 1955 was 811 lakh maunds and the area under salt cultivation increased to 80,216 acres as against 77,830 acres in 1954. The production of 837 lakh maunds of salt was envisaged in 1955-56 under the first Five-Year Plan, but the target was surpassed in 1953 itself when India produced 861 lakh maunds of salt. There was, however, a decline in production in 1955, which was mainly accountable to the vagaries of weather. The salt industry in India is largely dependent on solar energy and other natural factors. The consumption of salt in India during 1955 was 728 lakh maunds.



THE INDIAN OVERSEAS BANK LTD.
MADRAS

(Incorporated in India)

Through a network of branches in India, Burma, Ceylon, Malaya, Thailand & Hong Kong and our correspondents at all important commercial centres of the world, we are in a position to offer the most complete Banking Service to Businessmen and Manufacturers engaged in the export and import trades.

Service is our motto

General Manager : Mr. C. P. Doraiannu

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

		Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
		Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48	..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49	..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50	..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51	..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52	..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53	..	357.8	436.9	343.8	371.2	614.1	380.6	90.4	100.6	87.3	95.6
1953-54	..	384.4	467.7	359.2	367.4	686.6	397.5	90.5	100.7	88.4	113.0
1954-55	..	339.8	436.2	350.3	377.3	612.4	377.4	..	..	..	..
July 1955	..	309.7*	408.1*	329.6	370.9*	562.6*	355.6*	90.9	100.7	87.8	117.9
August	..	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.8	122.8
September	..	313.0	396.1	324.8*	368.8	556.3	353.2	90.9	100.7	87.2	122.8
October	..	315.7	403.7*	329.8	371.2	559.3	357.2*	91.0	100.7	87.2	124.5
November	..	326.5	418.9*	338.1	373.3	543.3*	365.0*	91.0	101.0	87.7	129.9
December	..	323.7*	438.3	346.6	373.0	544.2	368.4	91.0	101.0	87.7	130.6
January 1956	..	333.4*	454.2*	353.5*	375.2	540.0*	376.0*	91.0	101.0	87.3	125.7
February	..	335.3	464.6*	355.8	375.3*	529.1	378.4*	91.3	101.1	86.7	121.0
March	..	351.6	475.6	369.4	374.8	508.1	387.3	90.9	101.1	85.8	122.0
April	..	360.9	472.8	377.0	375.6	496.7	391.2	90.9	100.9	85.5	123.0
Week Ending 27-3 1956	..	358.8	477.9*	375.0	373.4	494.1	390.2	90.9	101.1	85.7	124.6
7-4-1956	..	364.9	472.9	373.8	375.8	495.5	392.2	90.9	100.9	85.7	124.4
14-4-1956	..	360.9	471.0	375.1*	375.5*	496.0	390.5*	90.9	100.9	85.6	123.0
21-4-1956	..	361.3	475.4	378.4	375.8	496.5	392.1	90.9	100.9	85.4	122.4
28-4-1956	..	356.8	471.5	380.7	375.4	499.0	390.4	91.0	100.9	85.4	122.2

†Economic Adviser's Series.

††Reserve Bank Series.

*Revised

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS (August 1939=100)

Period	Bombay		Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934=100				Nagpur	Jubbulpur†				
1939 (Aug-Dec.)	103	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	134
1949	292	307	248	132	348	478	377	151	323	164	138
1950	298	313	257	132	349	434	372	153	325	165	138
1951	314	330	261	142	370	451	391	168	334	167	144
1952	321	337	250	143	351	441	380	150	330	151	141
1953	346	363	275	140	349	453	387	151	351	147	145
1954	342	359	244	138	327	408	373	139	341	148	138
1955	322	338	218	130	323	371	364	133	321	134	132
1955 June	317	333	211	123	317	347	359	131	311	131	129
July	324	340	224	129	325	371	364	136	316	134	132
August	325	341	229	134	329	375	367	137	318	136	134
September	317	333	224	133	327	373	367	133	322	138	132
October	315	331	225	134	334	385	369	134	323	139	134
November	314	330	229	136	339	392	369	138	327	144	135
December	316	332	230	140	329	393	375	143	334	148	135
1956 January	318	334	226	139	319	404	—	—	334	—	133
February	321	337	224	137	315	394	—	—	333	—	133
March	334	350	230	139	325	398	—	—	340	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	11-5-1956			5-5-1956			28-4-1956			21-4-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	106-12	105-1	105-14	106-10	105-1	106-2	107-0	105-10	106-5	106-1	105-3	105-8
Silver (per 100 fine tolas)	182-0	179-4	180-12	183-12	179-10	182-3	182-11	180-5	181-9	181-6	177-6	180-1

INDIA'S TRADE WITH THE U. K.

I. PRINCIPAL EXPORTS

(Thousand £)

	Year 1953	3 Months Jan.—Mar. 1955 1956		12 Months Jan.—Dec. 1954 1955	
Total All Exports	113,443	55,157	35,969	148,384	158,949
Of which :-					
Tea ..	51,928	35,570	15,867	76,898	75,420
Leather, leather manufactures & dressed furs ..	14,009	3,195	4,195	13,260	12,625
Tobacco & tobacco manufactures ..	5,790	257	304	6,908	7,177
Hides, skins & fur skins, undressed ..	958	1,423	1,694	973	808
Wool & other animal hair and tops ..	4,008	912	1,356	5,551	4,911
Cotton ..	2,993	398	180	2,579	4,535
Miscellaneous textile fibres & waste ..	629	587	534	1,069	1,392
Metalliferous ores & metal scrap ..	4,388	759	645	3,068	2,431
Miscellaneous animal & vegetable crude materials ..	3,258	1,369	1,189	4,523	4,949
Animal & vegetable oils, fats, greases & derivatives ..	2,442	1,197	1,632	1,865	8,497
Cotton yarns & woven fabrics ..	..	2,255	1,892	6,849	7,041
Miscellaneous textile manufactures ..	12,736	4,479	3,282	16,363	14,400

II. PRINCIPAL IMPORTS

(Thousand £)

	Year 1953	3 Months Jan.—Mar. 1955 1956		12 Months Jan.—Dec. 1954 1955	
Total All Imports	114,491	32,861	42,529	114,808	129,793
Of which :					
Machinery other than electric ..	27,791	8,094	10,649	28,142	32,344
Electric machinery, apparatus & appliances ..	17,044	4,270	5,159	14,809	16,246
Wool & other animal hair and tops ..	4,828	1,405	1,262	4,930	4,818
Petroleum & petroleum products ..	3,953	555	585	4,808	1,737
Chemicals ..	13,058	4,222	5,197	15,140	16,159
Caper, paperboard & manufactures thereof ..	1,229	489	454	1,330	1,717
Iron and steel ..	4,689	2,313	3,921	5,883	8,825
Non-ferrous base metals ..	2,137	580	514	1,648	2,248
Manufactures of metals ..	7,309	1,200	5,012	5,072	6,984
Railway vehicles ..	3,758	954	1,743	3,050	3,365
Road vehicles & aircraft ..	8,758	2,456	3,023	9,357	10,038
Scientific instruments; photographic & optical goods; watches & clocks ..	2,206	799	647	2,237	2,975

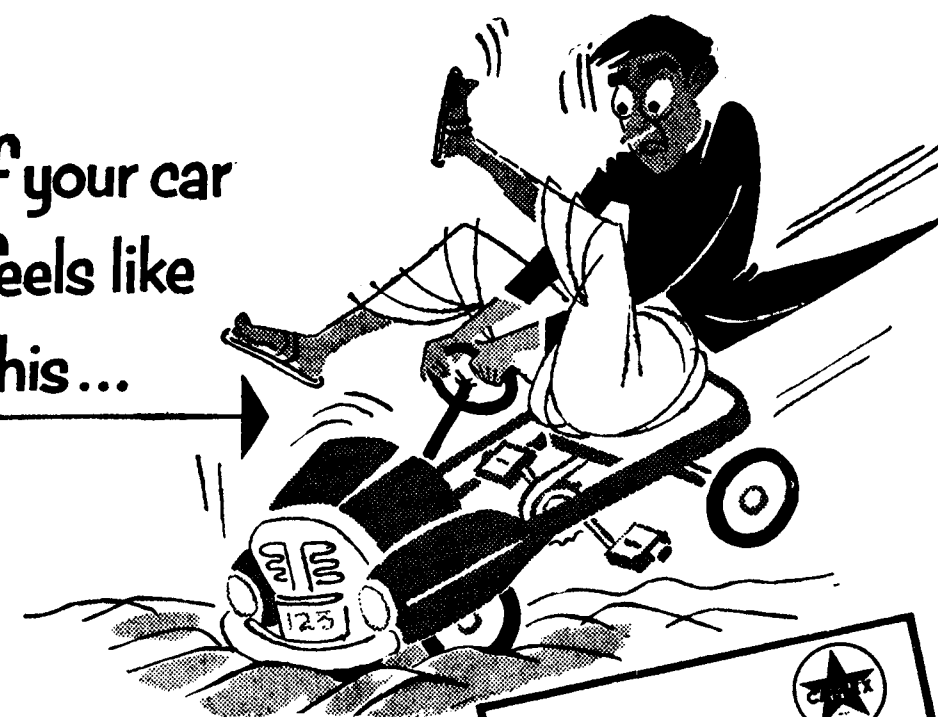
III. INDIA'S IMPORTS OF MACHINERY FROM THE U. K.

(Thousand £)

	Year 1953	3 Months Jan.—Mar. 1955 1956		12 Months Jan.—Dec. 1954 1955	
Total Machinery	45,735	12,364	15,808	42,951	48,590
Of which :-					
Boiler & boiler-house plant ..	1,653	422	675	1,471	1,782
Internal combustion engines ..	1,356	447	505	1,852	1,787
Agricultural machinery ..	161	52	43	197	187
Agricultural & track-laying tractors ..	..	296	245	745	908
Machine tools (excluding portable power tools) ..	1,934	580	659	1,997	2,406
Pumps ..	856	182	297	744	837
Industrial & works trucks & tractors & mechanical handling equipment ..	1,471	473	609	1,617	1,504
Excavating & earth-moving machinery & road rollers ..	528	387	420	653	1,395
Mining & well drilling machinery ..	519	79	92	474	414
Printing & bookbinding machinery & printing type ..	791	182	202	573	700
Textile machinery ..	6,990	1,695	2,759	6,363	7,296
Air-conditioning & refrigerating machinery ..	290	74	88	251	296
Generating sets, generators & motors ..	2,689	665	899	2,240	2,224
Converting machinery, transformers, switch gear & switchboards ..	4,806	1,183	1,101	4,010	3,954
Electronic valves, & radio, television, radar & sound reproducing apparatus ..	1,485	479	487	1,544	1,979
Telegraph & telephone equipment & line apparatus ..	..	216	144	1,420	645
Electric cables, wires, strips & strands, insulated ..	5,034	809	1,419	2,705	3,927

Source :—Trade and Navigation Accounts of the U.K. (H.M.S.O.) (...) figures not available.

If your car
feels like
this...



... it's time for

MARFAK

Lubrittection

That "Cushiony" feeling you get with Marfak Lubrittection lasts longer. You'll be surprised the soft way your car rides, too. Marfak helps you avoid chassis squeaks and rattles—for a thousand miles or more. Marfak protects wear-points longer, won't squeeze out, shake out, wash out. Get Marfak Lubrittection right away at your Caltex station—the best friend your car ever had!

CALTEX PETROLEUM PRODUCTS

TO NEW YORK

Fly the finest...

FLY TWA

TRANS WORLD AIRLINES

ASIA · AFRICA · EUROPE · U.S.A.

TWA/6157E

Printed and Published by Devi Prasad Sharma at the Hindustan Times Press, for "The Eastern Economist" Ltd., 52, Queensway, New Delhi. Editor—E. P. W. de Costa, M.A. (Oxon.)

ATUL

DYES CHEMICALS PHARMACEUTICALS



ATUL PRODUCTS LIMITED

ATUL, via BULSAK, Western Railway

The Eastern Economist regrets its inability to issue the Blue Supplement on 'Incentives in Industry' due this week because of dislocation in the Press. The supplement will be included in the next issue, dated June 1, 1956.

The Eastern Economist

VOL. XXVI. NO. 21.

NEW DELHI: MAY 25, 1956.

ONE RUPEE.

CONTENTS

	Page		Page
Leading Articles:		Special Articles:	
BUDDHA MAHAJAYANTI	801	THE PERILS OF STATISTICAL HASTE ..	819
TOP MANAGEMENT IN THE PLAN ..	803	IMPORTS AND EXPORTS: 1956-1961 ..	820
PAKISTAN'S PLAN	804	BOOK REVIEW	821
THE WEEK'S NOTES	807	ECONOMIC REPORT FROM THE U.S.:	
		Foreign Trade Touches Record Level ..	822
New Election Law; Rice Deal with Burma; Indo-Soviet Agreement; Grim Outlook for Singapore; Viet Nam to Stay Divided?; The Problem of "Auto- mation".		The Business World:	
		The Moral of the Cotton Crisis	825
		Prohibition has Come to Stay!	826
A WINDOW ON THE WORLD:		BUSINESS NOTES	829
Odysseus on "Higher Outputs and Earn- ings, Wider Choices"	811	Manufacture of Railway Equipment; Credit Control; Enlightened Policy for Shipping; Thin End of the Wedge? Export Credit Insurance.	
THE HORRORS OF PEACE	813	COMPANY AFFAIRS	833
ORLDGRAM AND NEWS IN BRIEF ..	815	COMMODITY NEWS AND NOTES	834
		CURRENT STATISTICS	835

Buddha Mahajayanti

MAY 24—once Empire Day—marks this year an event far transcending any mere material Imperial celebration. On this day is being celebrated the 2500th Anniversary of the passing of Siddhartha Gautama, known after his Enlightenment as the Buddha. For Asia as a whole, there is no figure that has left an impress so wide upon

the thought and behaviour of every time. And now after 2,500 years the profound emotion which this 2500th celebration of his passing has evoked bears witness to the extent to which his message retains its original unabating force. Perhaps that force is seen less in India than it is in other Buddhist countries. But it is by any standards

amazingly large in India as demonstrated by the celebrations all over the country on Wednesday and Thursday this week. At Gaya, where he attained enlightenment, the passion shown has outstripped all expectations. The devotees included a majority of Hindus. Here in Delhi also the great flow of feeling has come from Hindus. Thus have the branches of a great tree come together.

If a revitalised Hinduism supplanted Buddhism in the land of its birth, that same Hinduism was transformed radically by the contact, and Buddhist teaching is recognised today as the source of one great strand in Hindu thought. The tolerance of Buddhism entered deep into Hindu psychology and came to rest at the centre of what is called, perhaps inappropriately, the Hindu view of life. If Buddhism thus bent before the Hindu assault, it stooped to conquer. There is today over all this land no conflict of any kind between the teachings of the great Buddha and the teachings of the great Hindu commentators who differed from his conception of the spiritual universe, whether it was in terms of the nature of the God-head or of the value of *Nirvana* as a positive or a negative conception. It is true that Buddhism is not stirring India vitally at this time but which other form of religious thought is more vital? In countries near to us, notably in Burma, where the great Sixth Council is still in session, there is, perhaps, an image of an earlier Indian age when the Captains of the State bore witness to the power and glory of the Buddha's message. There in Rangoon, perhaps, a new Buddhist awakening is in progress under the official benediction as in the glorious Asokan Age.

One can welcome the Rangoon experiment without being querulous about results. For mundane results have never been the purpose of this faith. Buddhism has often failed, as in India and China, to retain a vast and growing following. But even its failures have been glorious, particularly in relation to the absence of persecutions which have marred the practice of so many of the world's great religions. There is no record of a Buddhist incursion of violence to establish an earthly kingdom or a greater area of hierarchical influence. At times, Buddhist teachings were part of both Church and State, and have had the power to exercise overwhelming force; but Buddhism never became the instrument of materialist power in an attempt to force on unwilling minds its powerful message. Thus one can look on the great age of Asoka and wonder why, with all the power that the great emperor had, no force of any kind was exercised to spread his passionate convictions. The edicts of Asoka from Girnar in Junagadh to Molkalmuru in Chitaldrug in Mysore and from Kashmir to Bengal never carry the command of the Emperor to hear and to obey. "The fruit of these measures," as the Girnar edict put it, "is the promotion of one's own religion and the glorification of *Dharma*." Here was a grand personal religion which drew nothing from being an established faith. It is the only religious faith which has never been aided by the adjuncts of power.

The significance of this miracle of tolerance is one which cannot be lost in the Bandung Age. Asia can claim some understanding of the doctrine of Non-Violence. It is as old as the Buddha and as young as Mahatma Gandhi. When we talk of Peace without Arms, we may be romantic; but

over large portions of Asia and for centuries Buddha made unbelievable romance the common truth.

We may take pride in the great victory of Siddhartha Gautama for he was in truth an Indian, although one might argue that he was born in Nepal and spent much of his time crossing into the land of his birth. But his great victory—the Attainment of Enlightenment—was won at Gaya and thus it was from a great Indian city, forever blessed, his message went forth, penetrating with its grand simplicity all the barriers which high philosophy and base struggles for power set against a doctrine of universal tolerance and love unending.

There is great wealth in manuscripts, memorials and monuments to show how wide was the area to which the new faith was carried. The vast territory of Central Asia was once essentially under the spell of Buddhism. Excavations made by Soviet archaeologists in more recent times show its prevalence in the present Republics of Uzbekistan and Kazakhstan. Of equal importance is the new wealth of archaeological finds which indicate the spread of this faith in Kansu in Western China dating back to an early period. Tibet, Ladakh and Sinkiang have long been known to be among the areas of deepest penetration of Buddhist doctrine. In other countries in spite of Asoka's mission of propagation, it struck more slowly. But in many—Burma, Thailand, Cambodia, Laos, Vietnam and Korea—it has taken permanent root. Its greatest monuments are, paradoxically, in the countries where it has not persisted to our day. Borabodur in Java, and Ajanta and Sanchi in India are now merely traces of Buddhist genius drawn across a canvas woven predominantly from other strands.

We can take as much legitimate pride in the tremendous cultural awakening which Buddhism gave to India as in the grandeur of the personality of India's greatest son. But today pride alone will not save us; nor will the virtue of this tremendous spiritual seer. We may take the monuments that came from the Buddhist Age and make them the monuments of the Indian Union claiming Asoka's Capitol as the symbol of the new Indian State. Thus we may pretend we are worthy of his greatness and inheritors of his philosophy and faith. This would be an act of falsehood; for today the message of the Buddha is unacceptable in his own land. We know we value the things he rejected; and we are not even seeking enlightenment. We praise him from afar; but are separated from him not by a gap, but by a chasm.

While we can take pride in the tremendous achievements of an Indian citizen, enlightened by God 2,500 years ago, and in the great contribution which Indians under him made to the spiritual life of Asia and to the artistic life of the world, we should choose this 2500th day of remembrance for thinking humbler thoughts. After 2,500 years we are as far as ever from his message. We cannot even look forward to a day of equal understanding so that in dying, perhaps after many lives, we could say with him "Now I have attained it. This knowledge and insight have arisen within me. Immovable is the emancipation of my heart. This is my last existence. There will be no rebirth for me."

Top Management and the Plan

THE Prime Minister made, on May 18, a speech calculated to put heart into all who were beginning to despair of a realistic approach to the main problem of the Plan. For the Plan depends in the ultimate event on one essential ingredient—the speedy and sustained ability to translate plans into productivity; in a word on Management.

That Management in its highest form is a very rare article may be judged by the relative imperfection of most human concerns and the immense price that the discriminating owner of a large business will pay for the services of the right kind of manager. It is of course a fact that a really competent manager is worth to the company that employs him any salary that he cares to ask, for he represents in person the difference between resounding success and mediocrity or failure.

It had begun to seem as though our Socialist twilight had permanently obscured this great truth, recognised in America, rediscovered in Russia, known, but nullified by tax, in Britain, and that the Plan would founder because it would be impossible to pay the price necessary to put in every case the right man at the top of the right job.

Since May 18 one can hope that if the sun has not risen, dawn is not far off. These were some of the Prime Minister's words:

"If I want a first-class man, a first-class engineer, it is absolutely no use my passing a law about it. People have talked about lawyers and doctors. When you come to the technical field today, it is very difficult to get a high class technical man. I am not even talking about very high salaries. Sometimes, suppose we want a foreign expert, I will have to pay fantastic salaries, and yet these salaries are cheap from the point of view of the work done. We spend on Bhakra Nangal Rs. 8 lakhs a day in salaries and wages. Though this is a big scheme, it is a big sum. But the slightest improvement or speeding of the process means our saving vast sums of money, and the slightest delay ... means a substantial increase in the cost."

And again: "If we take a step which can in theory be justified because it tends to equalise or remove the disparity but it also upsets the machinery of production or lowers that or produces a certain lack of harmony in all this, then we have lost in the main thing."

Here happily is the voice of reality. Here is realization of the value of promptitude—(if a day at Bhakra Nangal costs Rs. 8 lakhs what is the man worth who can speed completion by even six months?)—of the need—if it comes to the pinch—to recruit in the world market and pay—for the right man—world market rates. This is not to suggest that the foreigner *per se* has any special excellence; but if there are gaps—and in a Plan of this size gaps there will be—they must be filled with the best men available no matter what their origin or cost.

This does not apply only to new projects. There must—if productivity is to rise—be a

general raising of managerial standards. The Duke of Wellington said the last word on leadership 150 years ago: "There are no bad regiments—only bad officers".

It is fair to say that in industry and commerce there are no bad staffs—only bad managers; and conversely, since the personality of the manager permeates the utmost limits of his charge, that good management begets good staff and that the better the manager the better the men he trains to succeed him.

In this context the manager is seen both as the fount of productivity and of the Plan's success, and as the nucleus from which will spring the managerial cadres of India's industrial future. Thus on the quality of our management today depends the excellence (or the reverse) of management tomorrow.

Briefly, top management must insist on efficiency at all levels, must refuse to accept excuses—least of all its own—and must be prepared to replace mediocrity with excellence; from within the organization and the country if possible, from without if necessary. If recruitment from outside India is the only solution, the State must find some means whereby the best type of manager who holds the key to productivity, can be attracted.

The means already exists in principle in the provision which exempts foreign experts from tax for a period of three years. This is a bold move, but it fails for three reasons. In the first place the expert who cannot have been recently resident in India under the law may not be as advertised. (Alas, how few of our flowers match the seedsman's illustration!). In the second, the three-year period is too short. The output of managers will be chasing the expansion of industry for the next ten years if not to the end of the chapter. Thirdly unless the expert is imported inside the capsule of a contractor's team, or in splendid isolation as an Industrial Generalissimo or Great Panjandrum, his tax-free spending power (unattainable by residents except by payment of a ridiculous gross figure) will cause a mutiny among his colleagues.

Some means of tax abatement must be found which will give due consideration to proved competence, which can be carried on for as long a period as the development of the country requires, and which does not confer ostentatious spending power in India. Some form of overseas pay might well be the solution. But far better surely, and more permanently effective, would be a complete revision of the tax system which would reward industry and restore incentive to all, Indian or foreigner, who can contribute to productivity.

The United Kingdom and the United States in the past have to their spiritual enrichment offered political asylum to oppressed genius. If India could now offer fiscal asylum to the younger generation of European industrialists frustrated by penal taxation in their own country, she might reap a rich reward in material progress.

The piquancy of the analogy should not obscure its possibilities. If fiscal thinking in this country can follow to its logical conclusion the way that the Prime Minister has pointed, the return in progress and prosperity might well be stupendous.

Pakistan's Plan

IN the Week's Notes of the last issue of *The Eastern Economist*, the Draft Outline of the first Five-Year Plan of the Islamic Republic of Pakistan was dealt with on the basis of the information that was available, through sketchy press reports, until the time of going to the press. Now that the Draft Outline has become available, it is possible to examine it more fully. It is a happy coincidence that the release by the Pakistan Planning Board of Pakistan's first Plan synchronised with the signing of the final version of India's second Plan by the members of the Planning Commission on May 14, 1956. The emergence of a National Plan in Pakistan is an event of great significance, greater perhaps than any other in the recent economic history of that country. The fact that at many points there are close parallels with India should be flattering to us. Pakistan has deliberately chosen India as a model in her new Plan. She is doing the same things, and she is doing them at approximately the same rate. Here again this is not only a conscious choice; it is a reflection of the abiding economic unity in the Indian sub-continent.

A development programme has been proposed for the five-year period from 1955-56 to 1959-60 at an estimated cost of Rs. 1,160 crores, Rs. 800 crores of which will be in the public sector and the remaining 360 crores in the private sector. The investment programme leans heavily on foreign aid which can be seen clearly from the fact that Rs. 380 crores are expected to be provided by foreign aid and loans and Rs. 40 crores are to come from foreign private investment. Resources to be raised domestically would be of the order of Rs. 740 crores. Whether foreign aid to the extent provided for in the Plan would in fact be coming forth is a matter of conjecture; but this may be less problematical than in the Indian case.

The Plan aims at a 20 per cent increase in national income and a 12 per cent increase in per capita income after making allowance for a 7.5 per cent growth in population. First priority is given to village aid and agriculture, since the development of agriculture, on which about 75 per cent of the country's population is dependent, has so far lagged behind industrial production where progress has been rapid in recent years. One-third of the total expenditure of the public sector is devoted to programmes of village aid, irrigation, land reclamation and drainage facilities. Industry and commerce claim about 27 per cent, transport and communications 20 per cent and the remaining 20 per cent is set apart for the provision of social services. Special attention is to be paid to the so far relatively undeveloped wing of East Pakistan and a sum of Rs. 100 crores has been kept in reserve for the schemes that have yet to be prepared for the development of that wing.

Targets laid down include the provision of two million jobs; a 13 per cent increase in food production; irrigation of 3 million acres of additional land, out of which over one million acres will be in large compact blocks of land not now cultivated; installation of 580,000 kilowatts of electric power; 250,000 new houses; 3,000 new post offices; 35,000 new telephones; 9,000 more hospital beds; and an increase in foreign exchange earnings in

order to make available some 50 crores of rupees for the development plan. The production of large-scale industries is expected to increase by about 75 per cent during the Plan period. The productive capacity of cement is to be raised from 670,000 tons per year to 1,280,000 tons annually, of fertilisers from nil to 162,000 tons; of sugar from 115,000 tons to 235,000 tons; and the number of jute looms installed is to increase from 3,300 to 12,000. A Life Insurance Corporation is proposed for mobilising domestic resources and the people have been appealed to give up ostentatious and luxurious living in order to make the Plan a success. The Plan proposes the establishment of an Agricultural Bank in conjunction with the State Bank for the purpose of providing rural credit to help implement the agricultural programme. Small-scale industries are also to be developed and the total output of all industries, large and small, is expected to rise from Rs. 750 crores to Rs. 1,300 crores over the Plan period.

There is one fundamental point of departure from the Indian attitude to planning, which is noteworthy. That is the importance attached to the private sector of the economy. A special Planning and Development Department under the Ministry of Industries and an Industrial Bank, with capital from private and Government sources and from a loan from the International Bank for Reconstruction and Development, are to be set up with the object of providing all possible assistance and advice to private enterprise in the country.

Since the Plan will take some time to take final shape, the investment programmes proposed will not be fully under way until possibly the next financial year. In view of this, it is difficult to see whether all the targets laid down by the Plan can be realised within the stipulated period. Indeed the Planning Board itself realises that there may be a shortfall in expenditure to the tune of 123.6 crores of rupees out of the total of Rs. 923.6 crores proposed in the public sector and has, therefore, accordingly provided for a net public expenditure of Rs. 800 crores. The provision of two million jobs is in present conditions an ambitious target and it is very doubtful if it can be achieved. Even if it can, the backlog of unemployed, of which the Board has not been able to make any estimates, would still remain without jobs as about two million people are expected to enter the employment market in the Plan period.

In conclusion, it may be said that the process of planning in Pakistan is going to be extremely difficult in view of the shortage of managerial skill and lack of organised institutions. And the delay in putting the Plan into effective operation—over a year has already elapsed of the Plan period—is going to add to the difficulties that will inevitably crop up. It is to be remembered, however, that the main object of the Plan is to prepare a base for the further balanced development of the economy. It is necessary, therefore, that the Plan should succeed abundantly in this objective if rapid development is to be possible in future. There is no major reason why it should not, if only political stability could be guaranteed. India wishes Pakistan to have these conditions of political stability with no fear from any source. As partners we should march together to what looks increasingly like a common goal.

Subjugation of the Mad Elephant by the Buddha.
From the Amaravati Stupa, Andhra.



अक्रोधेन जिने क्रोधं असाधुं साधुना जिने ।
जिने कदरियं दानेन सद्येन अलिक्कवादिनं ॥

Overcome anger by loving-kindness, evil by good;
Overcome the miser by generosity, and the liar by truth.

THE TATA IRON & STEEL COMPANY LIMITED **TATA STEEL**

TN 966



**Eastward--ho
to
Tokyo!**

**Every Thursday
Every Sunday**

**LESS than 24 hours away
lies the profitable market
of Japan. Fly there to
increase your contacts,
expand your business,
make new friends.**

**In Constellation com-
fort . . . with every First
Class seat a 'Slumberette'.**

**BOMBAY - CALCUTTA -
BANGKOK - HONG KONG
- TOKYO**

AIR-INDIA International

9-A Connaught Place, New Delhi. Tel: 40503

THE WEEK'S NOTES

NEW ELECTION LAW

THE LESSONS of the 1952 elections and the experiences gained since then have gone into the making of the Representation of the People (Second Amendment) Bill which the Lok Sabha approved last week. The great number of election petitions, some of which have been decided only recently, four years after the original election, and the complaints about scrutiny and rejection of nominations, definition of election expenses and voting methods, have made some modifications necessary. Among the notable changes, which are also improvements, in the existing law, which will be effected by the new Bill, will be the vesting of power in the Election Commission to remove certain disqualifications incurred on minor grounds, the simplification of what constituted corrupt practices, the composition of tribunals with one judge and the simplification of the procedure for nomination for which no seconder is to be required. The Government could have perhaps gone one step further and made even a proposer unnecessary.

In accordance with the principle that the election law should be above suspicion and acceptable as widely as possible, the Government has accepted at least one important amendment on which the opposition seemed to set much store. But this amendment, as has been made clear since then, will make no alteration in the basic law on elections. The deletion of the explanatory clause excluding expenditure by political parties on their campaign from the returns the candidates have to submit does not improve the chances of independents, since there is no specific provision requiring candidates to show the expenses incurred by their parties in their constituencies. The remedy probably lies in fixing a higher ceiling than Rs. 25,000 for independents who will have to carry on propaganda not only in competition with the opposing candidates but also against the propaganda campaigns of the parties to which the latter belong. This will by no means be unjust to party candidates, for independents have to face many problems which they do not have to. Among the parties themselves not all have equal resources or resources proportionate to the number of candidates they put up, so that candidates of parties with greater financial resources are in a somewhat advantageous position.

A suggestion was made that voting should be made compulsory. The impossibility of enforcing this in a huge country like India with an electorate of 180 million should alone be sufficient reason for rejecting it. Apart from that, it is unlikely that this can remove the anomaly of a party getting a minority of the popular vote getting a majority of the seats, for removing which the suggestion was ostensibly made. The electoral law is no doubt still far from perfect, but the next election will probably help to eliminate most of the defects that still continue.

RICE DEAL WITH BURMA

THE AGREEMENT between India and Burma for the import of two million tons of rice into this country over the coming five years will be welcomed on all sides for more reasons than one. The deal will not only strengthen the already existing economic, and political ties between the two countries, but will also help India to build up the much needed buffer stocks to meet any emergency arising from a shortfall in internal production. For Burma also the agreement will secure an assured market for a considerable quantity of rice and would thereby enable her to dispose of a part of her surplus. The importance of this can be

gauged from the fact that the prosperity of the Burmese economy and the Burmese Government's revenues depend to a great extent on maintaining a sufficient level of rice exports.

Though the price at which Burma will sell rice to India has not been disclosed, it is understood that it will be £34 a ton in 1956, £33 in 1957 and £32 in 1958. The price for the last two years will be negotiated latter. The prices agreed upon represent a compromise between the points of view of Burma and India and are quite reasonable. The emergence of a buyer's market in rice has necessitated a lowering of the price demanded by Burma; at the same time India's anxiety not to take any risk which may give rise to an uptrend in prices arising from a food shortage and her natural desire to help Burma are perhaps the reasons why she has agreed to pay a higher price than she at first offered.

The desire of both countries to strive for balance in trade is also a welcome feature. India is now in a position to supply many manufactured articles Burma needs, and though her exports to the latter now cover a wide range they are not much in value. Indian exporters have now a chance to show their enterprise and they should seize it. The fresh trade agreement which is proposed to be negotiated should also help our exports considerably, as the common object is to raise total trade to as high a level as possible.

INDO-SOVIET AGREEMENT

NEWS THAT India and the Soviet Union have signed an agreement for purchase by the former of two oil-drilling rigs takes a stage further India's plans for oil-prospecting, for which the second Plan provides Rs. 11.5 crores. The cost of the equipment is placed at Rs. 74 lakhs. The Soviet Government will undertake the free erection of the rigs and will provide the services of 22 experts for each rig and for training Indian personnel. Machinexport, the Soviet foreign trade organisation, will also supply seismic equipment and two shot hole drilling rigs to be used for seismic prospecting. All the equipment is expected to be delivered in India before the end of the year so that the work of oil-prospecting can proceed apace.

The Minister of Natural Resources also disclosed in the Lok Sabha the main recommendations of the team of Soviet oil experts who recently toured the country. In accordance with their suggestion, the two drilling rigs are to be set up in the Jwalamukhi and Janauri areas of the Punjab. The seismic equipment and the shot hole are to be used in Jaisalmer as well as the Punjab. These two areas are the ones recommended by the team for more intensive prospecting in the next five years. The Soviet experts have also recommended geological and geophysical investigations as well as deep test drilling in the Ganges valley and West Bengal, geological and geophysical survey and drilling in Cambay area and geological and geophysical investigations on the Madras coast. Operations in these four regions will constitute a reserve for extending the explorations during the following years and to serve as standby in case of failure in Jaisalmer and the Punjab.

The Minister also informed the Lok Sabha that the Government intended to recruit 60 post-graduates for training in geology and 80 for training in geophysics. How far these numbers will suffice when exploration for oil is expanded and the wells also actually begin to operate, it is not possible to say. But it is good that the Government is thinking of problems of training

personnel, and attempts should be made, at least after the second Five-Year Plan period, to avoid having to rely too much on the services of foreign technicians for such work.

GRIM OUTLOOK FOR SINGAPORE

THE FAILURE of the talks on Singapore's future which began with much promise has caused not a little disappointment in the island colony as indeed in the whole of free Asia. The disagreements that have caused the breakdown relate to the nature of the supervisory power which the British should be given over the maintenance of internal security. The British fear of the possibility of Singapore, with its Chinese majority, becoming an outpost of Peking, assumed rather serious proportions after the trouncing the pro-Western party of Sir John Kotelawala received in the recent general elections in Ceylon. In the result the proposals put forward by the UK Colonial Office refused to distinguish between internal and external security. Mr. David Marshall, the Chief Minister of Singapore, rightly refused to agree to the retention by a British High Commissioner of the right to intervene when, in his opinion, internal security is threatened, as this cannot be reconciled with the people's sovereignty. Mr. Marshall was willing to agree that there might be occasions calling for British intervention, but that should be, he argued, at the judgment of the Singapore Cabinet, a very different thing indeed. But this did not satisfy the Colonial Secretary.

The immediate repercussions of the failure of the London conference are difficult to predict, and Mr. Marshall, who at first offered to resign on his return to Singapore, may, it appears, try to find some other basis for reopening negotiations on a Government-to-Government basis. But the chances of such negotiations giving rise to an agreement which will be acceptable to the people at large seem somewhat remote, when an all-party delegation with rather reasonable minimum demands could not succeed in arriving at a settlement. Obviously the military value of Singapore, if it is held against the people's wishes, will be negligible. It is to be hoped that the British Government will see its way to reopening negotiations and reaching a settlement with the more responsible leaders before extremist elements try to force the issue by taking the law into their own hands. Perhaps it will be advisable to devise some link between Singapore and the Malayan Federation as a means of ensuring greater stability.

VIET NAM TO STAY DIVIDED?

THE APPEAL of the two co-chairmen of the 1954 Geneva conference to North and South Viet Nam to take steps for organising nationwide elections is bound to evoke no favourable response from South Viet Nam. Technically the Ngo Dinh Diem Government may be held guilty of violating the Geneva agreement, but commonsense suggests that Diem and his followers cannot agree to an election the result of which is foregone. With North Viet Nam having nearly twice as large a population as the South, the same reasons which impel the Soviet Union to evade all-German and all-Korean elections (because her satellites will be in a minority in a nationwide poll) cause Diem to decline to agree to all-Viet Nam elections until conditions of real freedom are brought about in North Viet Nam.

It is idle to argue whether Diem's Government itself is democratically based, because there is no doubt that he has the support of the people south of the 17th parallel. Otherwise his quick successes against the rebel groups and the trek of a million refugees

to the South (which does not speak too well of conditions in the North) cannot be explained. Nor have all violations of the Geneva agreement taken place from the southern side. The continuance of rebel forces in Laos with Viet Minh support, in spite of the stipulation at Geneva that they should be disbanded, is an instance of violation of the agreement by North Viet Nam. France has also refused to stay the winding up of her High Command and the withdrawal of her forces, but has promised to help in whatever other way she can.

Nor can the Truce Supervisory Commission help in unification in the absence of real freedom in both parts of Viet Nam which can ensure truly fair elections. Such an election may be as unacceptable to the Viet Minh, as elections under present conditions are to Mr. Diem, for the uncertainty which it can introduce into the outcome. But at least the continuance of the Truce Commission will preserve the present precarious peace while its winding-up may give rise to border incidents and gradually restore the old position. But it seems unlikely that the three nations composing the Commission will agree to serve indefinitely on it in the absence of evidence of the possibility of their work coming to an end in the foreseeable future.

THE PROBLEM OF "AUTOMATION"

ONE OF the most intricate technical problems which some British industries are now facing and which many will soon have to face is that posed by what has come to be called "automation". Hailed in some quarters as the second industrial revolution, "automation" bids fair to throw up quite a number of problems reminiscent of those which its predecessor created. Essentially "automation" can be described as the second stage of the industrial revolution presaging an era in which mankind as a whole will have greater leisure to devote to pursuits other than those necessary for eking out an existence. In the beginning the industrial revolution also began in a similar manner, but with its progress men's needs multiplied, making the maintenance of higher standards of living a necessity and thus curtailing the amount of leisure which would have otherwise become available. It is likely the initial advantages of "automation" in the form of more leisure may peter out after some time.

In the process of adoption "automation" threatens to throw out of employment large numbers of men, much as the industrial revolution did. But the growth of trade unions and the progress of ideas have made the infliction of unnecessary suffering on workers impossible to contemplate. An agreed method of introducing "automation" has to be decided upon. However, as the report of the Department of Scientific and Industrial Research in Britain on this matter shows, the problem of technical changes involved are far too many and not enough thought has been bestowed on it even in Britain. More than the social aspects, the political consequences of "automation" have to be considered. A further point is that managers of factories where automation has gone some way have undertaken it without any precise idea of the benefits. Added to this is the problem of giving proper training to workers who may be thrown out and to those who will anyway have to handle new processes. But, so long as the precise effects are unknown and no scheme to avoid unemployment is drawn up to the satisfaction of workers, it is certain "automation" on a large scale cannot go ahead. Fears are, however, being voiced in many influential circles that if Britain lags behind in the adoption of "automation," she may be left behind in the race for export markets and efficiency.

STATE BANK OF INDIA

Successors to the Imperial Bank

Bank with the State Bank

OUR country is planning for prosperity. This cannot be achieved unless the interests of the small depositor, the small trader and the small producer alike in towns and in the countryside receive the same consideration that is bestowed on the more affluent constituents and the larger industrial units.

You are not perhaps aware that the clientele served by the State Bank of India consist predominantly of persons of modest means and modest requirements. It is on the broad and secure foundation of their patronage that the Bank's structure has been built and will continue to rest.

The State Bank's services are many-sided and it would interest you to know that your varied plans and activities—no matter how small they be—can be made to run more smoothly with the help the Bank can offer.

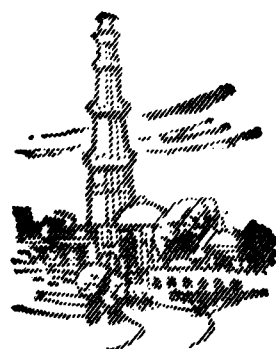
Why not talk things over with your nearest bank agent, or write for information?



The State Bank's branch at Delhi, one of more than four hundred offices waiting to serve you throughout India

STATE BANK OF INDIA

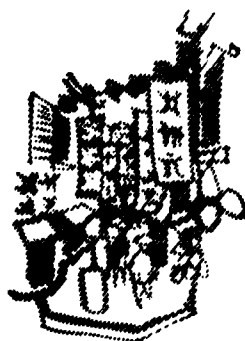
Largest of the Indian Joint Stock Banks



Delhi



Singapore Hong Kong



VIA RANGOON AND BANGKOK

FLY B.O.A.C. FIRST CLASS 'MAJESTIC' OR
'CORONET' TOURIST SERVICES

Consult your Travel Agent or B.O.A.C. Speedbird
House, Service Road, Connaught Place, New
Delhi-1. Phone: 43978, 44234, 45085 and 47356

B.O.A.C. TAKES GOOD CARE OF YOU

FLY → B.O.A.C.

BRITISH OVERSEAS AIRWAYS CORPORATION

A Window on the World

HIGHER OUTPUTS AND EARNINGS, WIDER CHOICES

By
ODYSSEUS

MR. R. H. S. CROSSMAN, the British Left-wing Socialist M.P., has in a newly published pamphlet ("Socialism and the New Despotism", the Fabian Society, 11 Dartmouth St., London. SW. 1. Price Re. 1) presented a fearlessly honest analysis of why Socialism has lost favour with the British electors and why the Labour party has had to yield to the Conservatives since 1950.

In brief, Mr. Crossman says that in the past men and women joined the Labour party, or voted for it at election time, because they believed that it was fighting to free the common man from the oppressions of social privilege and economic exploitation. They expected through Socialism to win for the individual social justice and economic freedom. But Socialism in office has so completely disillusioned the progressive, non-party elector (whose floating vote is that which puts parties into or out of office) that he has voted Conservative for two General Elections in succession. Mr. Crossman says that among the main disillusionments was the impression, "fostered by its enemies", that the Labour party regarded the ration card not as a temporary expedient but as a permanent feature of a fair shares economy. Certainly Conservative propaganda has emphasised Labour's love of controls for controls' sake but if this had not corresponded with the fears and dislikes of the ordinary voter, such propaganda could have had little effect. What is more, it is not only in Conservative minds that the Labour party is associated with controls. Socialism in practice has meant the creation of huge irresponsible public corporations and extensions of bureaucracy and form filling—which Mr. Crossman himself brands "a grave potential threat to Social democracy." Nationalisation, he admits, is too often "a perversion of the Socialist ideal" which "has not changed the lives of the workers" and has added to "the steady concentration of power in the hands of the managerial classes." The Trades Unions have become strongholds of restrictive practices, restricting not merely the output but the liberties of individuals and of minorities. Bravely flying in the face of the orthodox Socialist viewpoint, Mr. Crossman asks whether "these sacrifices of individual freedom" are necessary and he sounds the tocsin for a return to "the traditional Radical demand for a free and equal society".

All this is grand and ought to rejoice the hearts of those—not only in Britain but in all Socialist pattern countries—who are now harried by bureaucrats, pursued by forms, and kept poor by restrictions on their capacity and desire to work harder, produce more, and therefore to earn more.

DISMAY

It is, however, when Mr. Crossman reveals his cures for these ills that one stands dismayed and aghast. What Mr. Crossman is really pleading for is a revival of the Liberal individualistic outlook, but his cures for Socialist controls simply amount to still more controls and more bureaucrats.

Throughout his analysis of the Socialist pattern welfare state's weaknesses, Mr. Crossman has argued his case in such classically Radical-Liberal terms that

when he begins to outline his cures, the reader, still flowing, as it were, in the Liberal-Radical traffic stream, does not at first realise that he is beginning to encounter bureaucratic-control traffic running against him. It takes a while for this fact to sink in. But it is not really so difficult to understand why Mr. Crossman, after his resounding Liberal fanfare, sees no contradiction in reverting to a bureaucratic theme. Both the British Socialist and Conservative parties are, in the ultimate analysis, associated with the interests of identifiable groups of producers—the Socialists with groups of workers, and the Conservatives with groups of employers—and, as Mr. Crossman himself admits, both these groups fear a competitive economy.

Competition implies freedom, and to remove or damp it down controls and restrictions are inevitable. The average Conservative prefers trade price agreements that "stabilise" markets, and the average worker, scared stiff of any labour-saving device, prefers restricted output. Thus both parties have a vested interest in keeping things as they are. While there are progressives in each party, these form minorities who make themselves heard with difficulty.

In the series of articles outlining Mr. Gaitskell's philosophy of Socialism, published here between January 20 and February 17, if it emerged that Mr. Gaitskell was apprehensive of further nationalisation, it was also clear that he attaches over-all importance to equality—or, as it is fashionable to call it now—"egalitarianism"—and so does Mr. Crossman. His formula for "enlarging freedom and stimulating an active democracy" is to put the oligopolists (the managerial classes) controlling private firms and the big public corporations and boards of nationalised industries under further control "in the public interest"—to set up a Chinese puzzle of standing Parliamentary committees to keep them in the ever straiter and ever narrower path of officially investigated, controlled, and approved action; to promote workers' participation in the management of private firms and public bodies—thus adding one more complicating, slowing down factor to the process of trying to add to the wealth of the country; to spread public ownership (that is management by appointed boards and committees) still more widely by getting municipalities to take over (1) residential houses that come under the present British rent restriction acts, (2) laundries, (3) taxis, (4) theatres, and (5) cinemas.

REPLACING ONE MONOPOLY BY ANOTHER

Mr. Crossman's reasons for these recommendations are enlightening. "If the tenant of a rent restricted house realises that he cannot obtain a bath room under his private landlord without an exorbitant increase of rent, he may accept the Socialist case for municipalisation." In other words, the distortion of the economy caused by rent restriction must be continued by means of subsidies to the worker from those (already crushingly taxed) individuals or industries whose contributions to the national income are great enough to allow something to be taken from them for someone to get a bath for nothing. The municipal-laundries, taxis, and cinemas, are meant "to break the monopoly of the big

chains". But the way to break a monopoly is not to erect a monolithic and soul-less state monopoly in its place but to split it up by anti-Trust legislation. Not so long ago when I happened to be travelling in a nationalised British bus I chatted with the driver, a man of sixty who had been with the former private company before it was nationalised. "I begin a fortnight's leave on Monday," he told me. "I want to start on Saturday as my daughter is getting married then. In the old days, I would have gone to Bill Edwards, the owner, and explained, and the chances are that he would have let me off if he could possibly have found a driver to take my place. Now, I have to fill in a form and take it to the Personnel Board. They said: 'Sorry. It's against the rules'. So what do I do? Just take the day off without leave. And the bus service gets messed up for that day. But they can't sack me because I'm nationalised, see?"

This anecdote hardly suggests that Mr. Crossman's proposals will be greeted with shouts of joy and relief by workers who feel more frustrated in committee managed machines than ever they did under the most unsympathetic individual boss. "You could always hope to get something you wanted out of the boss," my bus driver told me, "because he was the boss. But you can never hope to get anything out of a Personnel Department because it isn't the boss. Nobody will risk taking the initiative; they're all afraid of getting into trouble by breaking the rules."

Mr. Crossman is dismayed by the frustrations of the workers and wants to help them along the path to freedom but he, like his fellow-Socialists the world over, apparently cannot grasp that the solution to the problems of freedom under nationalisation is not to widen controls but to widen the area of personal choice.

What people in all countries want is, as far as possible to be allowed to choose from as big a selection of things—material and spiritual—as possible. The way to satisfy them, as "The Economist" of London said recently, is not to cut down to a common size everyone else's choice. That is precisely the way to deprive the community of the flexibility, the diversity, and the incentives upon which a policy of plenty—and a dynamic society—must depend. The right way is to create incentives that lead to an increase in the total national product and to level up, not down. Every worker looks forward to a good and rising middle class standard of life. It is the duty of Mr. Crossman's party to see that he gets it, not to wrap the rest of the community up in a cocoon of checks and balances.

This argument, "The Economist" continued, must not be misunderstood. For more than a generation Liberals and Socialists have agreed that an end should be put to poverty and the gross inequalities of wealth; that the state should intervene to end these, both by public provision and re-distributive taxation, and to prevent wasteful and embittering alternations between boom and slump. There is no case now, if there ever was, for mere laissez faire. But, with the stage set by the acceptance of these continuing obligations (among which the fight against inflation in all welfare countries is crucial), the only relevant slogans for Socialists, no less than for Liberals, are beyond mistake: high output, high earnings, bigger shares, wider choices. That is what Mr. Crossman ought to have said to his party and to the Trades Unions. It is Labour's real chance to re-capture the Radical tradition. The way to wealth and to equality is through expansion, and the way to expansion is through more freedom for all, not more controls on (those who are still by courtesy called) the rich.

THE HORRORS OF PEACE

FROM OUR SPECIAL WESTERN EUROPEAN CORRESPONDENT

PARIS, May 18, 1956.

IN foreign politics, successful long-range policies are always framed on the assumption: "supposing the worst happens". Thus, since 1948 the real planners of American policy (not the speech-makers but the brains of the State Department and the Pentagon) have been working on the assumption "supposing 200 Russian divisions begin marching across West Europe now". Similarly, in the Kremlin, policy has been based on the supposition, "what happens if the Americans encircle us with air bases and then launch a multiple atomic attack?" If all parties dispose their forces as if they expected the worst, then the worst very often never happens—as is illustrated in the above two cases. The really dangerous man in international affairs is the optimist, who often succeeds precisely in bringing on the worst by not preparing for it; one sees this by contrasting Churchill with Chamberlain, or Bismarck with Napoleon III. So much is truism. The important point to notice is that the pessimist does not have to believe that the worst will happen, really and truly. He only has to behave as if it were going to happen. So the successful practitioner in this field is anything but a "realist"; the facts are mostly irrelevant to him. For example, anyone who told the Russians in the last few years that the Americans were not really planning war, or who told the Americans that the Russians were peace-loving, would no doubt have been telling the truth but he would have been wasting his breath and misunderstanding the true nature of foreign politics. In diplomacy, "the facts" are only relevant as suggesting what form "the worst" might take in any particular case. They are not needed to show whether the worst will happen; that has to be assumed in every case.

This preamble is necessary before I go on to describe the spectre that is now haunting the chancelleries of Continental Europe, the bad dream that is disturbing the rest of European statesmen. Probably few of them really believe that this dream will come true, but week by week they are reorienting their foreign policies in case it does. Briefly their bad dream, the worst they assume might happen, is this: one day soon the Russians and the Americans will agree between themselves to inaugurate an era of genuine peace; they will each keep a stock of hydrogen bombs and planes to carry them and a radar network to find the planes, but they will wind up most of their own armies and all the armies of their allies and satellites; they will co-operate in maintaining total secrecy about how to build big bombs and they will dole out such information as they think safe to the rest of the world; they will agree to put an end to European colonialism, which neither of them like; they will throw overboard all the Adenauers and all the Ulbrichts and insist that every nation in the world outside the Super-Big Two find itself a Nehru or a Tito, and thereafter shut up. In sum, the world is drifting toward a new Yalta at which there will be only two participants and from which will issue a planet composed of neutralists policed from Washington and Moscow. These, for Europe, are the horrors of peace.

It is necessary to repeat that no one says that this is going to happen, least of all that it is going to happen soon or in the simple, stark way I have described it. But in Paris, Rome, Bonn, Oslo and Ottawa this is the ghost that stands behind Foreign Ministers when they talk about the future. Such ghosts may never take bodily shape and substance, but meantime they

can exert a powerful influence over the framing of policy. This particular spectre was first seen in the Quai d'Orsay a few months ago, and there has been much talk of him during the recent round of international conferences in this city, including the visits of Marshal Tito and President Gronchi.

Because we are dealing with a mere wraith, you must not ask for evidence, for proof of his bodily existence. You will only get hints and scraps of evidence, some of which are nevertheless highly significant. The one that is most talked of here is the personal correspondence between President Eisenhower and Marshal Bulganin. These mysterious letters, which seem to go on regardless of the fluctuations of international climate, give Continental diplomats the horrors. The second thing is the conversation in London between Mr. Stassen and Messrs. B and K during their recent visit; the talk lasted 40 minutes and yet in both Russian and American eyes seemed to dwarf the rest of the London visit. This is closely connected with an impression that French diplomats bring back from the London disarmament talks: the impression that Western solidarity is getting more and more difficult to maintain because the Americans seem to be losing interest in the Anglo-French plan and are more concerned to talk to the only other party at the talks that has plenty of big bombs, the Russians. Another fact that is keenly felt here is American pressure on the French to join Euratom. This is a complex project and the only aspect of it I need to mention here is that it would make it impossible for the French to build their own bombs and would force them to use, not the source of fissionable material they now use, but another over which the USA has virtual control. Next, there is the curious fact of the Baghdad Pact which the French strongly dislike—but what they dislike even more is that the Americans (who invented such military pacts) do not want to join it while the Russians (who should in theory object violently to it) did not ask Sir Anthony Eden to wind it up. Lastly, there is the odd American attitude to Colonel Nasser whom the French especially hate because they think he is behind the revolt in Algeria: whereas Washington used to go purple when Mr. Nehru first invented active neutralism, today the Americans do not seem to care particularly when Nasser fights a Western power with Communist arms.

Now any clever "realist" can see that this does not add up to evidence that Russia and America are planning a new and more exclusive Yalta. But the mere facts do not matter. What does matter in Paris, Bonn and Rome is that Continental diplomacy henceforward has to be geared to some plan for averting the worst dangers that such a situation would produce. For Paris and London (not to mention Lisbon and Brussels) one of the gravest dangers of a genuine Russo-American entente would be that these two traditionally anti-colonialist powers would combine to hasten the end of all forms of European imperialism. Even apart from any such entente, it is clear that once America's allies in Europe become less important to her, she will have no reason to allow herself to be outdone by Russia as the champion of oppressed colonials. But it is not only the European imperialist powers that fear the ghost of a new Yalta—indeed the worst casualty to date has been Dr. Adenauer. The Chancellor fears that peace might be obtained without going through German unification as a preliminary stage, and once it is attained neither of the Super-Big Two will have any special reason to promote unification. The spectre of peace has, in other words,

TO NEW YORK

Fly the finest...

FLY TWA

TRANS WORLD AIRLINES

ASIA · AFRICA · EUROPE · U.S.A.

TWA 6/578

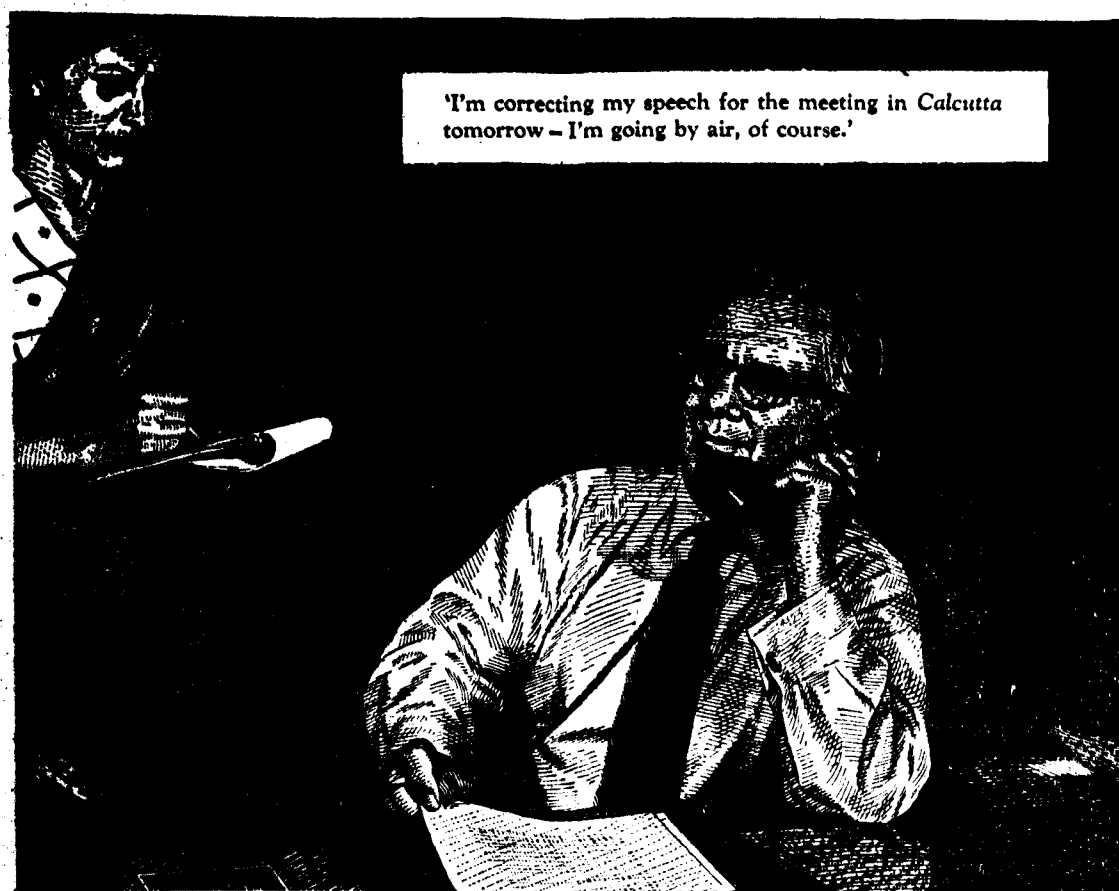
knocked the bottom out of Dr. Adenauer's whole policy, and I have no doubt that Sir Winston Churchill knew this when last week in Aix-la-Chapelle he administered such a damaging blow to Dr. Adenauer by suggesting that maybe peace should come before German unity.

The conclusion that Continental chancelleries draw from the danger of a new Yalta is that they must henceforth insist very strongly on the virtues of the UN as a forum of world problems. The reason for this is that by getting the Russians and the Americans to work through the UN, they can ensure that the second-rate powers of Europe still retain some say in the course of events. Similar reasoning is behind the French plan (strongly backed by Italy and Canada) to convert NATO into a general economic organisation with a special fund for investing in backward economies. At first glance it might seem that the French wanted to scuttle NATO because they thought the military danger of Russian aggression had passed, while the Americans wanted to keep NATO on its feet until there is absolutely no danger of war. But this is a quite mistaken interpretation. The fact is that the French fear that if NATO remains a purely military organisation, then as soon as the danger of war is clearly past, it will be scrapped and the European powers will be left out in the cold while Russia and America talk business. They hope that if NATO is converted now into a general, non-military organ, then it will survive the end of the military cold war

and thus the European powers will have a voice in world governance even when Russia joins NATO.

On any other interpretation the Pineau plan for an investment fund for backward areas would be a mere piece of impertinence. It is obvious that Continental Europe has no money for massive investment: all the money must come from the USA—and later, if Russia joins, from Russia. So the Pineau plan is simply a proposal for spending other people's money, and neither the US Congress nor the Kremlin could be expected to accept it. But the French argument is that if Russia and America invest separately in backward countries they will constantly be trying to outdo each other, and both will find it a very expensive business. On the other hand, if they do it jointly they can avoid costly competition. The price for this will be to allow the second-rate European powers have some voice in how American (and eventually Russian) money is invested. There is some logic—and much calculation—in the plan.

So this is how Continental Europe proposes to react to the horrors of peace. Over the next year or so we can expect to hear a good deal of the argument that a new two-party Yalta would not work because Russia and America will never really be able to co-operate unless Europe is there to help them, as she is in the UN and as she would be in an expanded NATO that included Russia and all the signatories of the Warsaw Pact.



When you have a journey to make, think first of flying. It's the fastest way to travel, and often the only way to get there in time. You escape all the tedium of a long journey—flying is so quick, convenient, and wonderfully comfortable.

INDIAN AIRLINES CORPORATION

Malhotra Building, Queensway, New Delhi Telephone: 40071 (4 lines).



WORLDGRAM

AGRICULTURE

Dairy Schemes During Second Plan: Improvement in the supply of milk to towns and cities through the formation of 36 co-operative milk unions is one of the dairy development projects to be undertaken during the second Five-Year Plan. There will be three categories of co-operative unions—each handling 500,250 and 150 maunds of milk daily. Large dairies will also be established in Calcutta, Bombay, Madras and Delhi, while some existing dairies will be expanded to handle larger quantities of milk. The establishment of milk boards will further accelerate dairy development. The second line of dairy development between 1956-61 aims at increasing facilities for conversion of milk into milk products in areas from where milk cannot be easily transported to the market for sale. It is proposed to establish 12 rural creameries and seven milk products factories in such areas. The capital outlay on these projects is estimated at Rs. 21 crores.

Woollenised Jute Production: Shri J. K. Bhonsle, Deputy Minister for Rehabilitation revealed in the Lok Sabha recently that the Government had given assistance to a new scheme of woollenised jute production for the employment of refugees. A scheme had been sanctioned for training in woollenised spinning and weaving of jute goods, at the Technological Research Laboratory of the Indian Central Jute Committee, Calcutta. After completion of the necessary training, the displaced persons would set up their own production units on cottage industry basis.

Coorg Agricultural Produce Markets Bill: The President has given his assent to the Coorg Agricultural Produce Markets Bill 1955. There is at present no law in force in Coorg for the regulation of markets, and the State Government have, therefore, drawn up the present Bill. The Bill is based on the legislation in force in Bombay, Madras and Hyderabad. One of the recommendations of the Planning Commission is that States should enact legislation for the establishment of regulated markets, so that agriculturists may be freed from money-lenders and middlemen, and obtain the best prices for their produce.

INDUSTRY

Electricity Output: During December 1955, 723 electricity undertakings in India produced 784.3 million kilowatt hours (kwh) of power, of which 648.0 million kwh were sold to ultimate consumers. Power output during the month increased by 58.8 million kwh over that of November. One Diesel generating station at Madhubani in Bihar and one purchasing undertaking in the Harihar-Haveli section in Bombay were the new additions during the month. Power production and sale during December, 1954 stood at 680.8 million kwh and 558.0 million kwh and during December 1953, at 236.2 million kwh and 558.0 million kwh and during December 1939, at 236.2 million kwh and 198.4 million kwh respectively.

Inter-Conversion of Values From One Unit to Another: The Indian Standards Institution has issued, for eliciting comments, a draft Indian Standard guide for inter-conversion of values from one system of units to another. This draft guide is intended to serve as a guide in converting numerical values of physical quantities from one system of units of measurements to another system of units; in particular, it is to assist the designer and the draftsman in converting dimensions and tolerances on engineering drawings from inches to millimetres.

Draft Indian Standard Rules For Making Indexes:

The Indian Standards Institution has issued, for eliciting comments, a draft standard on rules for making indexes. The draft lays down rules for preparing alphabetical and classified indexes of reading material, whether a single or multi-volumed book, an ordinary periodical or an abstracting or bibliographical periodical. This draft forms a part of a series of Indian Standards relating to production of books. Five Indian Standards covering preliminary pages of books have already been published.

Quality Control on Aluminium Utensils:

The Government of India have decided to prohibit with effect from June 15, 1956, export of wrought aluminium utensils which do not bear standard mark prescribed under I.S.I. (Certification Marks) Act, 1952. It has been brought to the notice of Government that scrap of doubtful quality is being used by certain rollers to produce circles of cheap quality and that utensils produced from these circles are finding their way to the export markets and are thereby adversely affecting export trade. Manufacturers of wrought aluminium utensils are advised to apply to the Indian Standards Institution, 19, University Road, Civil Lines, Delhi-8, for licences for marking the goods produced by them with I.S.I. Certification Mark under the I.S.I. (Certification Marks) Act, 1952.

Milk Powder Plants: It is reported two Milk Powder Plants had been donated by the United Nations International Children's Emergency Fund during the last two years; one had been put on operation in Anand (Bombay State) and other was proposed to be set up in Saurashtra.

Annual Output of UK Electrical Industry: The British electrical industry produces more than £900,000,000 worth of equipment a year. For some years now, the industry has maintained the position of second-largest exporting industry in the world, with export approaching 11 times the pre-war figure. The industry's export trade reached a new level of £245,000,000 during 1955. This represents an increase of more than £26,000,000, or nearly 12 per cent, over the 1954 total of £218,000,000, and is the highest increase in any year since the end of the war. The previous record figure was £220,000,000, in 1952.

TRADE

Indo-Swedish Trade Arrangement: Letters were exchanged in New Delhi between the representatives of the Government of India and the Government of Sweden extending for the year 1956 the validity of the schedules attached to the Indo-Swedish Trade Arrangement signed in May, 1955. The Trade Arrangement was signed on May 31, 1955, for a period of two years. The Trade Arrangement provides that the schedules of imports and exports attached to it would be revised every year.

Austro-Bulgarian Trade Agreement: The trade between Bulgaria and Austria will be regulated during the year 1956 by a protocol signed at Vienna. The total value of trade is of the order of \$15 million. Bulgarian exports to Austria which are of interest to India will consist among other items, of tobacco (700 tons), rice (10,000 tons), walnuts (100 tons), tea (\$50,000), spices (\$50,000), castor oil, medicinal herbs (\$30,000), bladder (\$200,000), manganese ore, raw cotton (560 tons), and handknitted carpets (\$50,000). Austrian exports will chiefly consist of vehicles, machinery, and iron and steel goods.

Indo-Burma Trade: Burma's imports from India during October and November 1955, valued at Rs. 1,26,60,080 and Rs. 1,15,81,512 respectively, against Rs. 1,43,75,141 and Rs. 1,69,36,562 respectively, during the corresponding months in 1954. Imports from India during October and November 1955 had gone down very much, as compared to the figures of corresponding period in 1954.

FINANCE

Customs and Excise Revenue Collected in the Indian Union: According to the returns received in the Department of Commercial Intelligence and Statistics, the total gross Sea and Land Customs Revenue collected in the Indian Union during March 1956 amounted to Rs. 1,736 lakhs as compared with Rs. 1,718 lakhs in the corresponding month of the previous year. Of the total Customs Revenue collections, import duties accounted for Rs. 1,421 lakhs as against Rs. 1,306 lakhs; export duties for Rs. 303 lakhs as against Rs. 392 lakhs; and Land Customs and miscellaneous for Rs. 12 lakhs as against Rs. 20 lakhs. The total gross collection of Union Excise duties amounted to Rs. 1,247 lakhs as compared with Rs. 1,327 lakhs. During the twelve months, April 1955 to March 1956 the grand total of gross Customs and Union Excise Revenue realised was Rs. 31,897 lakhs as compared with Rs. 29,713 lakhs during the corresponding period the preceding year. Of this amount, import duties accounted for Rs. 13,065 lakhs as against Rs. 14,442 lakhs; export duties for Rs. 3,748 lakhs as against Rs. 4,141 lakhs; Land Customs and miscellaneous for Rs. 200 lakhs as against Rs. 290 lakhs; and Union Excise duties for Rs. 14,884 lakhs as against Rs. 10,840 lakhs.

Loans by Rehabilitation Finance Administration: Up to the end of February 1956, the Rehabilitation Finance Administration had disbursed about Rs. 1,012.29 lakhs by way of loans to displaced persons. The total amount of loans sanctioned by the Administration up to March 31, 1956, was Rs. 1,256.96 lakhs. Of this Rs. 822.40 lakhs were sanctioned to displaced persons from West Pakistan and Rs. 434.50 lakhs to those from East Pakistan. An amount of Rs. 67.37 lakhs was granted on 5,282 fresh applications from East Pakistan displaced persons.

World Bank Loan to Haiti: The World Bank has made a loan of \$2.6 million to Haiti to help finance a three-year highway improvement programme. Under the programme, a highway maintenance section will be organised, equipped and staffed to rehabilitate and repair 725 miles of primary and secondary roads and to provide continuing maintenance on all public highways and roads in Haiti. Improved roads will expedite the delivery of agricultural goods from farms to markets and will better serve Haiti's growing tourist industry. The Royal Bank of Canada is participating in the loan, without the World Bank's guarantee, to the extent of \$413,000, representing the first three maturities which fall due from July 1, 1959, through July 1, 1960.

Iron and Steel (Control) Order, 1956: Government of India have issued Iron and Steel (Control) Order, 1956, which controls production, distribution and prices of all categories of iron and steel. The present Order is a consolidated order of the previous two Orders—(1) The Iron and Steel (Control of Production and Distribution) Order, 1961 and (2) The Iron and Steel (Scrap Control) Order, 1943—and is intended to enable the Government (i) to distribute the limited supplies available among a large number of users according to the nature and the importance of uses and (ii) to see that the production and import programme are so planned and adjusted as to ensure that the recipients of quotas get their requirements in time and at economic prices. While issuing the consolidated

Order, Government have also re-issued all the current notifications in respect of control over distribution, maximum prices, place extras, size extras, etc., so that the general public may have in one place all relevant data regarding iron and steel control.

Financial Aid for Road Development: The Government of India have sanctioned some totalling Rs. 22,48,335 for road development works in Assam, Madhya Bharat and Kutch. One of the schemes sanctioned is the construction of Porsa-Ater road in Madhya Bharat estimated to cost Rs. 13,49,500. Of this expenditure, a sum of Rs. 12 lakhs is to be met by Government of India. Other road projects sanctioned include: improvements to the North Trunk road from Beki to Sankosh in Assam (Rs. 1,37,400); construction of a temporary bridge for a 12-foot roadway over the Gabru river on the Charduar-Foothills road (Rs. 20,399); a sum of Rs. 8,86,000 for the construction of the Loria-Khavda road in Kutch; and Rs. 4,635 for making a 2-foot wide trace along the proposed alignment from mile 7½ to 10½ of the Gangtok-Pakyong road. Technical approval has been given for road works costing Rs. 7,17,000 in Himachal Pradesh and Vindhya Pradesh. The works concerned are: Construction of 12-foot wide motorable road from Koti to Jammu boundary, via Sundla and Langera, from mile 0.0 to 5.0 (Rs. 2,86,000) construction of a bridge across the Juhilla river at mile 113 of the Umaria-Shaddol road in Vindhya Pradesh (Rs. 3,57,000); and Rs. 73,500 for the construction of a bridge across the Murna river at mile 137.3 on the Shahdol-Umaria road in Vindhya Pradesh.

Vindhya Pradesh Motor Vehicles Taxation Bill: The President has given his assent to the Vindhya Pradesh Motor Vehicles Taxation (Amendment) Bill, 1956. Under the Vindhya Pradesh Motor Vehicles Taxation Ordinance, 1949, the maximum load which may be carried by transport vehicles plying in the State is 14,500 lbs. In Uttar Pradesh on the other hand the maximum weight permissible is 18,500 lbs. To remove the difficulties of the Vindhya Pradesh owners of transport vehicles the present Bill has been promoted raising the maximum permissible load to 18,500 lbs. The Bill also specifies that the rate of tax leviable on vehicles carrying between 14,500 and 18,500 lbs. will be Rs. 850 per annum.

GENERAL

New Oil Refinery for UK: Plans have just been announced in London for the erection of a new £25,000,000 oil refinery in the United Kingdom. It will have an initial capacity of 5,000,000 tons of crude oil a year. The refinery will probably be built near Southampton. Work on this new project is expected to begin towards the end of this year, and the refinery may come into operation some 18 months later. The new refinery will be built by the Trinidad Oil Company and a subsidiary, the Regent Oil Company.

Indo-Polish Shipping Service Agreement: An Indo-Polish shipping service agreement has been signed between the Government of Poland and the Government of India. Under the terms of the Agreement, each side will nominate a shipping organisation which will be responsible for the operation of its ships. To begin with, each side will nominate three ships for operation in the new Service, which is expected to commence before the end of October, 1956. Additional ships will be put in by both sides and when required, the total tonnage participation by each side being always equal. The Service will be operated on the basis of equality of advantages and avoidance of competition between the two Parties and the Agreement envisages the possibility of an arrangement to be made between the two shipping organisations for pooling and sharing of freight earnings.

NEWS IN BRIEF

INDIAN

The latest reports from Shillong aver that Assam's first sugar factory will go into production during the 1957-58 crushing season. The factory will be a co-operative venture sponsored under an agreement between the Assam Co-operative Sugar Mills and Skodas India Ltd.

It is reported that the proposed Rs. 25-crore heavy electrical equipment factory to be located at Bhopal will start initial production in 1960.

A French firm, Voyages Dubreuli of Paris proposes to organise a regular bus service from Paris to Bombay and back. The route passed through Italy, Yugoslavia, Bulgaria, Turkey, Syria, the Lebanon, Jordan, Iraq, Iran and Pakistan.

Export of mustard oil and rapeseed (laha) oil has been banned with immediate effect. It is further reported that no further shipping bills for these commodities will be passed.

Shri A. C. Guha, Minister for Revenue and Defence Expenditure revealed in the Lok Sabha that the branch expansion programme of the State Bank of India would bring banking facilities to rural areas and would provide vastly extended remittance facilities for co-operative institutions.

It is reported the President has given his assent to the Hyderabad Sales of Motor Spirit Taxation (Amendment) Bill, 1956.

The Government of India is stated to have under consideration a proposal to produce on a mass scale 16-spindle charkhas in Government-run ordnance factories in the country.

The Government of India has authorised a further increase of 5 per cent in coastal freight rates over those which prevailed prior to October 15, 1955 on general cargoes. The increase in freight rates has retrospective effect from April 1, 1956.

Motor spirit of the value of about Rs. 12,634,326 (F.O.B.) was exported from India during 1955. The maximum quantity of motor spirit valued at about Rs. 2,339,898 was exported to Australia.

The Governments of India and Pakistan have both enacted the Transfer of Evacuee Deposits Act, 1954, to facilitate the transfer from Pakistan to India and vice versa of movable property belonging to evacuees including cash, jewellery or securities, insurance policies and negotiable instruments in the custody or under the control of any civil court or revenue court or court of wards or manager encumbered estate.

The Bombay Government is shortly setting up a pilot wood distillation plant, at a cost of Rs. 30,000 at the village industries experimental workshop at Poona.

The production of footwear in India in 1955 was of the order of 90 to 95 million pairs. Production by large-scale units was about 5.5 million pairs, the balance being produced by small and cottage units.

The value of India's exports to and imports from Afghanistan by air during 1955-56 was Rs. 33.12 lakhs and Rs. 29.61 lakhs.

FOREIGN

The nine-year basic school system is to be introduced on a general scale in Sweden as from 1962 and it will be adopted throughout the country by 1973. Investments in new school buildings will require Kr. 900,000,000 (£62,069,000) in the period 1956-69.

Egypt has ratified the International Labour Organisation's Convention on Holidays with Pay in Agriculture, and Ceylon has ratified the Convention on Labour Inspection. A total of 12 countries have now ratified the first Convention, ILO says, and 26, more than a third of the ILO membership, have acceded to the second.

It is reported a UNESCO sponsored conference on cultural integration of immigrants was held recently at Havana, bringing together government experts, representatives of non-governmental organisations concerned with migration and social scientists, who have carried out research in this field.

The April issue of the U.N. Monthly Bulletin of Statistics indicates that the world's petroleum industry developed more during 1955 than at any time in its history, producing 11½ per cent more than the 1954 peak. Every region except Africa shared in this development which set a record for the second year in a row.

The U.N. Technical Assistance Administration and Indonesia recently extended for three years the Planning Bureau Agreement originally signed in 1952. Under this agreement, UNTAA made available a team of advisers to assist the Planning Bureau to draw up a comprehensive economic development plan.

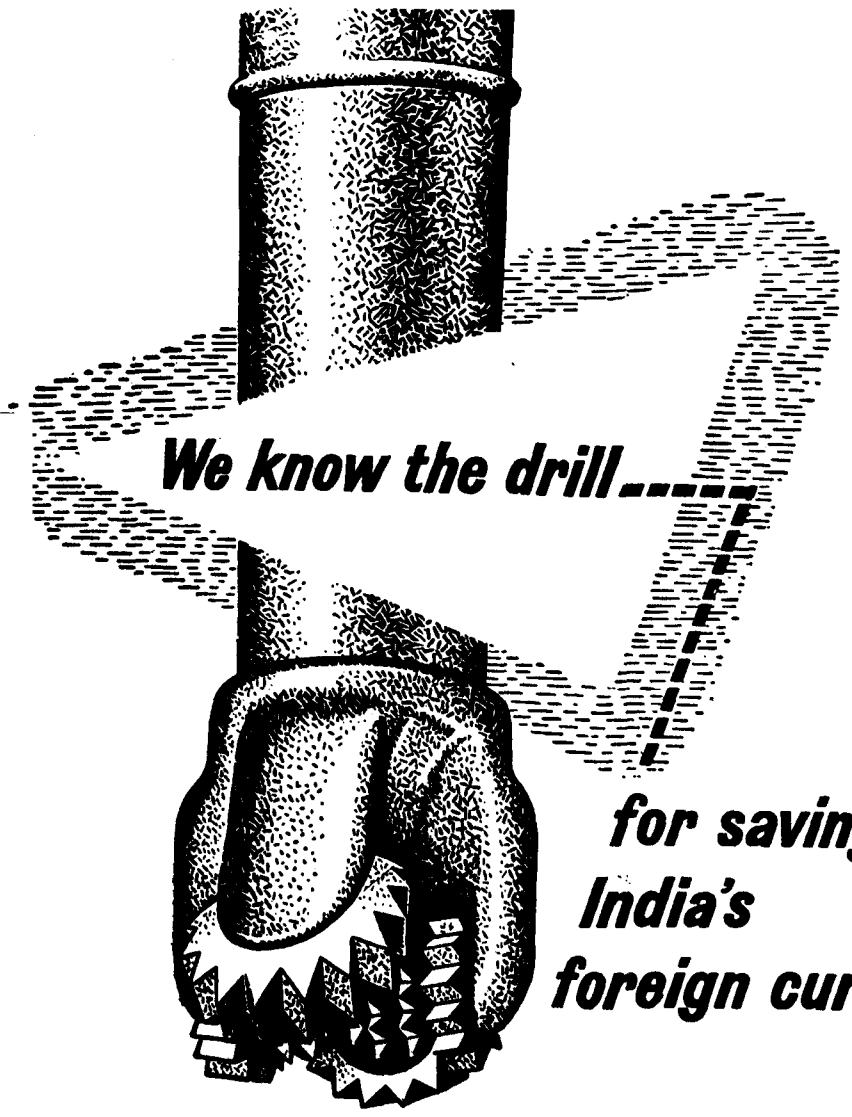
An international world rice trade conference will be held in the Far East in October and November. Among the major concerns of the October-November meeting will be the methods of reducing rice trade instability, promoting higher rice consumption and international trade, and improving statistics to give a better picture of the world rice situation and prospects.

The people of Britain spent record amount on consumer goods and services, including food, during the fourth quarter of last year, according to a Monthly Digest of Statistics. Personal expenditure on consumer goods and services reached a record at £3,423 million during the quarter, compared with £3,256 million in the third quarter and £3,107 million in the second.

Japan and Russia signed recently a long-term fishing pact which will come into force when normal relations are established between the two countries—the first treaty to be negotiated by the two countries since World War II.

Israel's exports during the month of March 1956 reached 15.1 million dollars worth as compared with 12.8 in March last year, main rise being in agricultural exports.

The international conference on the development of power as a factor of development of the insufficiently developed countries is scheduled in Belgrade this July. The Conference will be attended by about 1,500 scientists and economists from about forty countries.



We know the drill-----

**for saving
India's
foreign currency**

Oil from abroad costs valuable foreign exchange.
Oil from inside India saves it. And we must
have ever-increasing quantities to cope with the
expansion of industry and agriculture.

Scientists and engineers are keeping Assam's oil
industry working at full pressure to produce as
much oil as possible from our own oilfields. Additional
wells are constantly being drilled, yet even in an
established area they are not always productive; in spite
of modern knowledge and equipment, successful
drilling still remains something of a gamble.

But no effort is spared to find oil and turn it into the
fuel, lubricants and by-products which are so vital
to the progress and prosperity of India.

**ASSAM OIL
COMPANY**

does it all



A Member of the Burmah Group of Oil Companies

Special Articles

THE PERILS OF STATISTICAL HASTE

THE publication this week by the Central Statistical Organisation of an estimate for the National Income of the Indian Union for 1954-55 has led to a serious error not merely in statistical debate but, what may well be more important, in terms of political prestige. To suggest—at a time when a World Bank Mission is in this country designed particularly to test the claims of the capacity for growth of the Indian economy—that no progress was made between 1953-54 and 1954-55 is surely an example of outrageous indiscretion, for which there can be few parallels in our recent economic history. Even if the statistical methods employed were sound—which is certainly not the case—the premature publication of these figures, which go counter to the official real indices published, cannot be excused. In point of fact the statistical methods employed make this estimate the most unreliable of any that the Central Statistical Organisation has made since its inception. Why then, it will be asked, was this serious misdemeanour committed, and why after its commission, has the Finance Minister issued no correction?

On the statistical side it is admitted in the foreword to this publication that "for 1954-55 the statistical data used are not adequate and the method of estimation is frequently of a rough character". In the face of this admission, which must cover an error larger than 10 per cent, which belongs to all the National Income estimates, how can one possibly compare the National Income for 1954-55 and 1953-54 and say that in real terms they are approximately equal? Again, in paragraphs 22 and 23, of this very Report, the Central Statistical Organisation states:

"In the absence of detailed figures of quantities and values, the net output of the factory establishment sector in 1954-55 has been obtained by adjusting the 1953-54 figures for production and price changes with the help of overall index numbers.

"For all other sectors as well as for calculation of real product, the procedure of estimation remains more or less the same. Obviously, the real net output in the factory establishment sector has to be obtained by

a rough and ready method in the absence of detailed information on levels of physical production by industries on the basis of SSMI." If ever an estimate was damned by its own authors, surely these paragraphs are its instrument of damnation.

It is not enough to condemn the Central Statistical Organisation for its folly and indiscretion. It is necessary that a fairly competent estimate of real output for 1954-55 should be presented which takes account of the behaviour of real facts in official indices or in non-official indices which run parallel to them. For these purposes a table has been computed following lines suggested in a Special Article in a previous year. In these series it will be seen that there was no fall in real National Income in the Indian Union in the year 1954-55. If one takes the bases of weighting in "The Eastern Economist" Indices the rise in real product is about 3 per cent when the weighting is 2 : 1 : 1 and perhaps 5 per cent if the ratios are 2 : 1 : 1. If one uses the Planning Commission's series for agriculture and the Interim Index for Industrial Production with "The Eastern Economist" Index of Business Activity, the real product figures show a significant rise in every case.

It is clear now that the processes by which constant price figures of National Income are computed in India in terms of 1948-49 prices do violence to real product rises. The reasons for these are statistical and will no doubt obtain in due course searching technical examination. Meanwhile one is justified in rejecting the results of this reduction of money to real income merely on the point that it produces results so opposed from any reasonable real product series. The Central Statistical Organisation owes it to the country to put its statistical house in order but in the meanwhile to exercise a little elementary political discretion. The damage which has been done by the hasty publication of these "rough and inadequate" figures has been very large. The Finance Minister should correct the erroneous impression which has already been created, and bid the Central Statistical Organisation to seek its sanction before hastily entering the lists again.

REAL PRODUCT SERIES COMPUTED FROM VARIOUS INDICES

Year	Eastern Economist Agriculture-2	Eastern Economist Agriculture-2	Eastern Economist Agriculture-2	Eastern Economist Agriculture-2	Eastern Economist Agriculture-2	Eastern Economist Agriculture-2	Eastern Economist Agriculture-2	Planning Commission Agriculture-2	Planning Commission Agriculture-2
	Eastern Economist Industry-1	Eastern Economist Industry-1	Eastern Economist Industry-1	Eastern Economist Industry-1	Eastern Economist Industry-1	Eastern Economist Industry-1	Eastern Economist Industry-1	Eastern Economist Industry-1	Eastern Economist Industry-1
Year	Eastern Economist Business Activity-1 (with Industry)	Eastern Economist Business Activity-1 (without Industry)	Eastern Economist Business Activity-1 (with Industry)	Eastern Economist Business Activity-1 (without Industry)	Eastern Economist Business Activity-1 (with Industry)	Eastern Economist Business Activity-1 (without Industry)	Eastern Economist Business Activity-1 (with Industry)	Eastern Economist Business Activity-1 (without Industry)	Eastern Economist Business Activity-1 (with Industry)
	Eastern Economist Industry-1	Eastern Economist Industry-1	Eastern Economist Industry-1	Eastern Economist Industry-1	Eastern Economist Industry-1	Eastern Economist Industry-1	Eastern Economist Industry-1	Eastern Economist Industry-1	Eastern Economist Industry-1
1948-49	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1949-50	100.6	101.6	101.0	102.8	102.2	103.6	104.6	102.8	101.8
1950-51	95.9	98.1	95.6	98.4	96.9	99.6	101.2	100.7	99.3
1951-52	101.7	103.1	100.8	102.1	101.1	104.5	105.1	105.1	104.1
1952-53	108.4	109.2	108.4	109.6	109.1	112.9	113.5	109.7	109.0
1953-54	115.7	116.4	117.0	119.4	118.9	123.6	125.8	118.2	117.5
1954-55	118.6	122.1	122.2	123.2	123.9	127.1	127.8	122.8	122.1

IMPORTS AND EXPORTS: 1956-1961

THE meetings of the Import and Export Advisory Councils held over the week-end were significant not so much in respect of the agenda presented at both the meetings as in two large unknowns which hang over both import and export policy. The minor issue is the State Trading Corporation which some members argued had introduced the public sector in the international trade zone as effectively as the public sector had entered the industrial production field. It would appear from the statements made both by the Minister of State and Mr. T. T. Krishnamachari that these fears that the State Trading Corporation (which incidentally was registered this week as a limited company) would encroach on the private sector could be speedily discounted. The implications of this assurance are being quickly drawn to mean that in the next five years the total volume of import and export trade handled by the private sector will not decline and may significantly increase. There is probably good ground for this assurance.

It is quite otherwise with the second large factor believed to call for adjustment in India's international trade. This is the basic change in the pattern of development which is reflected in international trade. For the last five years the order, by value, of imports was food grains, petroleum products, raw cotton and so on. In the next five years it is certain that capital goods will move up to the first place and will be followed closely by industrial raw materials such as steel and cement.

A major revolution has already been effected in regard to certain products. For example, the refineries have already led to a saving of foreign exchange of Rs. 30 crores between 1954 and 1955. In fact the entire improvement in India's balance of payments in the calendar year 1955 is to be attributed to this source. It is developments such as these which are likely to be overwhelming. The table below shows the position for 1954 and 1955 in a manner which indicates that vast changes are already under way.

TABLE I.

PRINCIPAL IMPORTS INTO INDIA IN 1954 AND 1955

	(Rs. Crores)	
	1954	1955
Machinery of all kinds	83.39	108.20
Metals	50.07	75.32
Oils—vegetable, mineral and animal	94.46	63.10
Raw cotton	57.53	53.50
Vehicles	33.61	50.73
Grain, pulses and flour	49.38	35.18
Electrical goods and apparatus	11.25	14.02
TOTAL IMPORTS	615.67	643.71

During the first Five-Year Plan one of the paradoxes of the import situation arose from the fact that the money value of capital goods and imported raw

materials—and for the most part the real value—did not change substantially with the marked rise in internal industrial production. That paradox, whatever its explanation, has now been dissolved. As the Minister of State for Commerce noticed last Saturday the increased tempo of industrialization envisaged in the second Plan has already had a marked effect on our imports. During the first three months of the year the balance of trade has been unfavourable to the extent of Rs. 45 crores. The rate of licensing for capital goods has increased so sharply that it is estimated that expenditure on imports of machinery and metals in the next nine months will exceed the figure for the whole of the year 1955 by over Rs. 60 crores.

It is this dramatic change in the structure of our imports that gives purpose and urgency to the export promotion programme. Unhappily the changes in our exports in recent months have not shown the response which would be necessary to keep our payments position in relative stability. The happy position described in the table below between 1954 and 1955 does not look as though it will be any more than maintained while the import position has dramatically altered.

TABLE II.

PRINCIPAL EXPORTS FROM INDIA IN 1954 AND 1955

	(Rs. Crores)	
	1954	1955
Jute goods	121.33	126.10
Tea	131.31	112.81
Cotton piecegoods	66.93	57.79
Raw cotton	8.52	24.22
Groundnut oil	3.85	20.72
Manganese Ore	15.17	10.49
TOTAL EXPORTS	563.00	603.77

A heavy adverse balance of trade is necessary for the Plan, and so long as the adverse balance can be financed it should be as large as possible. It is not, therefore, the adverse balance in itself which should cause us concern, since it is a defence against inflation; it is the capacity of the country to finance it which is in question. It is now being appreciated that the gap cannot be closed by exports, even by the extravagant suggestion that food exports should reach Rs. 200 or Rs. 300 crores in value. The major portion of the gap can only be closed by capital, whether by gift or by loan. It is appropriate that an opportunity is being taken to investigate the possibility of securing such loans and a senior officer of the Finance Ministry is now undertaking a programme of detailed investigation in Western European countries.

BOOK REVIEW

INDIA AFTER INDEPENDENCE

Pilgrim's Progress: Edited by Prabodh Chandra, M.A., M.L.A.; Published by Adarsh Publications, 6 Jang Pura-B, New Delhi: Pp. 308: Price Rs. 25 De Luxe and Rs. 15, Publicity Edition.

Mr. Prabodh Chandra has set himself a patriot's task in setting out with appropriate illustrations and artistic illumination the story of India since Independence. He has called his book "Pilgrim's Progress" which implies that the book has been a pilgrimage for himself. Happily this is now to be published for a wider audience even though the price at Rs. 25 for the de luxe edition and Rs. 15 for the ordinary edition makes its readership inevitably restricted. There is much to be said for the Government of India's buying the rights of the book to enable a popular edition to be made available both in India and abroad. Abroad this fine production may, perhaps, be even more appreciated than at home, though one hopes that the pilgrim in Prabodh Chandra will receive rather more honour in this country than he has received as a politician in his home State.

Much the greater part of the volume deals authoritatively, if a little sentimentally, with the social, economic and cultural reconstruction of India after

freedom. The coverage is comprehensive and there is hardly any facet of the growth of the national life which has not found mention. There is an attractive account of the emergence of our Constitution followed by a wealth of information on the programme of India's unique experiment in democratic planning for the economic development of a vast under-developed country. The social and cultural facets of the national life have also come in for their balanced share of lucid narration. A galaxy of writers, specialists in their own field, has contributed to the weight and authority of this narration. In spite of the diversity of contributions and the complexity of subjects dealt with, the continuity and uninterrupted flow of an integrated narration has not been allowed to suffer. This book should serve as a refresher of knowledge on current topics to the Indian reader. But perhaps more important than that is its value and utility to the reader abroad whose curiosity to follow India's progress since India's Independence is evident everywhere.

In a varied fare, the chapters on economic development compete with much that is less fundamental; it is appropriate that "The Eastern Economist" should ask for special attention to the chapters dealing with the dynamic growth in the economy in the last three years.

THE RAMAYANA OF TULSIDAS IN ENGLISH VERSE

LATEST "HINDUSTAN TIMES" PUBLICATION

The famous Hindi epic regarded by many as "the greatest book in all devotional literature" is for the first time now available in English verse.

The translator, the Rev. A. G. Atkins, completed the book after ten years of devoted work. He has tried "to keep and express in English in the fine rhythm and music of the original in simple lucid language, and with as much of the vivacity, wittiness and picturesqueness that Tulsidas has put into his work." He has also followed in some measure Tulsidas's metrical variations such as chhand, chaupai, doha and soratha.

In a foreword Mr C. Rajagopalachari says: "Mr Atkins' monumental work and his Introduction are a revelation of hope for those who desire to see all the great religions of mankind come together. . . . His service is not only to English-speaking people but also to that very large number of Hindus in India who do not speak the Hindi language and to whom English has become a very familiar medium."

The book is of special value to libraries, scholars and devotees of Tulsidas.

It has been issued in the following four editions:

- I. Original text of Tulsidas with translation in English verse; three volumes; 1468 pages; price Rs. 50 net.
- II. Translation in English verse; without Hindi text, two volume; 898 pages; price Rs. 40 net.
- III. Special tissue paper edition of I, one volume, price Rs. 100 net.
- IV. Special tissue paper edition of II, one volume, price Rs. 100 net.

POSTAGE EXTRA

The Manager,

**THE HINDUSTAN TIMES,
NEW DELHI.**

Economic Report from the U. S.

FOREIGN TRADE TOUCHES RECORD LEVEL

(BY GUY SIMS FITCH)

NEW YORK, May 22.—It was a happy coincidence that the latest report on US imports from the rest of the world should have been issued just now. For, the report, showing that Americans have been buying more goods from abroad than ever before, came out yesterday on the very day that marked the opening of World Trade Week in the US. A yearly event, World Trade Week helps bring home to Americans the importance of close commercial and economic ties with other peoples. The last few years have seen a remarkable strengthening of these ties, with international trade and prosperity at an unparalleled rate, and with shipments to, rather than from, the US rapidly increasing.

The latest report from the US Commerce Department shows that US imports in the first quarter of 1956 reached a value of \$3,221 million, higher than in any previous quarter. On an annual-rate basis, US imports so far this year have been running about 13 per cent ahead of 1954, and 18 per cent ahead of 1955. This expansion of US purchases from the rest of the world has outstripped even the rate of growth of the American economy itself during these past few years. Total output of US goods and services—the gross national product—so far in 1956 has been running at an annual rate of nearly \$399,000 million—about 3 per cent above 1953, 11 per cent above 1954, and 9 per cent above 1955. Imports, however, grew at twice those rates.

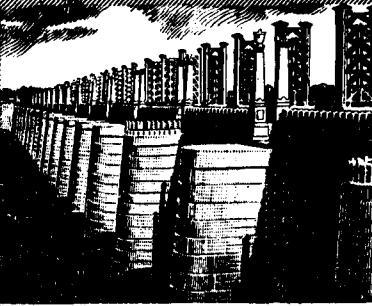
American imports are of vital concern, of course, to other countries seeking profitable markets for their goods in the US. Moreover, the dollars they earn enable these countries to purchase the American goods they need or want. It is not surprising, therefore, to find that US exports also have been running at record levels. At their present rate, US shipments to other countries may well surpass the 16,000 million mark this year, after having risen above \$15,000 million for five years in a row.

More and more Americans are coming to appreciate what these rising levels of trade mean to their national well-being. True, exports and imports combined—even at the current expanded rate of trade—equal only 7 per cent of the total value of economic activity in the US. But about 40 per cent of US commodity imports, for instance, are essential to America's industrial economy, while only about 20 per cent of all US imports consist of manufactured items that satisfy consumer demands. On the other hand, close to 10 per cent of the goods manufactured in the US go into export. Thus trade helps provide employment and income for a number of American workers, just as it does—often to a far greater degree—for workers in other countries.

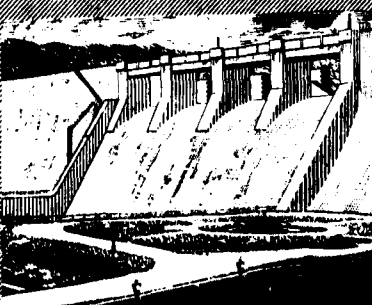
The outlook is for a further trade expansion nourished by rising national incomes around the world and by further agricultural and industrial development in many countries. Both trade and manufacturing have already doubled, compared to pre-World War II times. Yet still higher levels of economic activity hold out the promise of a further acceleration in the growth of international commerce. Another factor bearing on the expansion of international trade is the vigorous efforts of many free nations to widen the channels of commerce. The US for its part—through its reciprocal trade agreements programme and its participation in the 35-Nation General Agreement on Tariffs and Trade (GATT)—has consistently co-operated with other friendly nations to bring about a reduction of tariffs, of quotas, of exchange restrictions and of other barriers to the free international flow of goods and services.

Many problems remain to be solved. A number of trade barriers still must be breached. But experience now indicates that in the past few years the free nations have gone forward in developing a steadily expanding system.

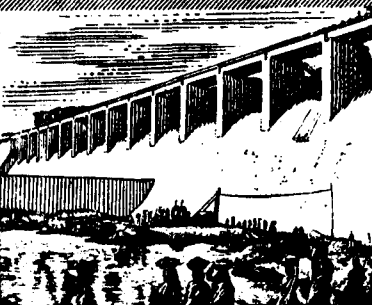
Projects FOR Plenty



NANGAL BARRAGE
Over 15,000 tons of ACC cement will be used on the Bhakra-Nangal project.



MALAMPUZHA DAM
Over 64,000 tons of ACC cement have been used.



TUNGABHADRA DAM
Over 2,25,000 tons of ACC cement have been used to date.



LOWER BHAVANI DAM
For this project, 1,29,000 tons of ACC cement have been used.

Built to last with **ACC** CEMENT

SISTA'S CMI-136



KLM
ROYAL DUTCH
AIRLINES

Say when,
Say where—
KLM
will fly
it there!

Let your **CARGO** reach the world markets first and fast.

KLM has direct, time-saving flights to EUROPE from CALCUTTA and NEW DELHI offering frequent connections to major cities in EUROPE, USA, CANADA, THE CARIBBEAN, SOUTH AMERICA, and THE FAR EAST.

Contact your **CARGO AGENT** or KLM offices at Calcutta, New Delhi, Bombay, Madras.

The Business World

THE MORAL OF THE COTTON CRISIS

By
CROESUS

AT least one good thing has resulted from the prolonged controversy regarding the justification or otherwise of Government assuming mandatory powers over the cotton market, and it is that it has brought to light certain interesting facets of the dispute between the East India Cotton Association and the Forward Markets Commission. The circumstances which forced the hands of the authorities to take the series of steps that they did in reference to cotton futures trading have been explained by the Forward Markets Commission, which may be catalogued here for purposes of record.

1. The first difference of opinion between the Commission and Sir Purshotamdas Thakurdas, the chief spokesman of the EICA, has been traced back to August, 1954, when the Commission proposed to the Association the adoption of a system of margins. The EICA acceded to the Commission's proposal, we are told, only when it was found that the alternative was no possibility of trading in the February, 1955 contract.

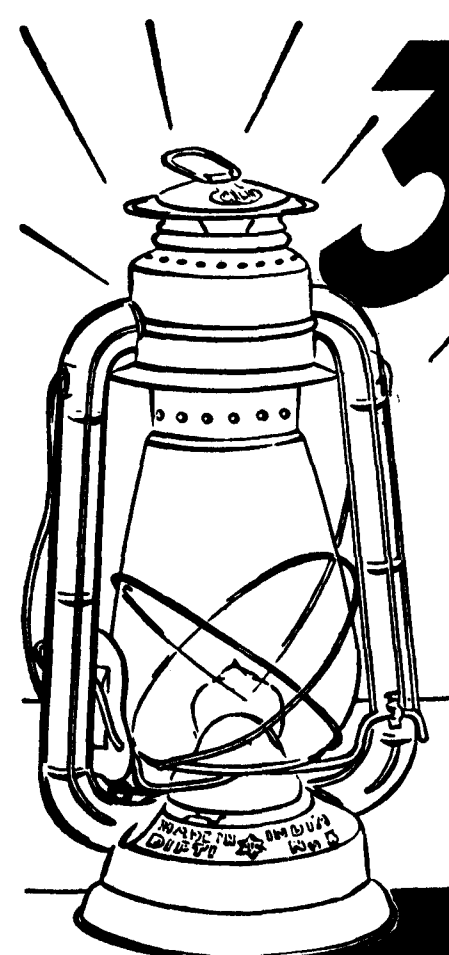
2. The next rift in the lute seems to have been provided by the strong divergence of views between the EICA and the FMC on the issue of certain amendments to the bye-laws of the Commission. According to the FMC, "on every occasion that the Commission felt called upon to put forward any proposal to the Association, Sir Purshotamdas treated it with open hostility, even though the Commission had always made it clear that its proposals were to be regarded as a basis for discussion".

3. Regarding the vital question of cotton prices, the Commission contends that the decision to set ceilings for cotton was far from an 'overnight' decision. "Apprehensions about a squeeze on the February contract", it states, "were held even by the Association, as early as October, 1955. During a discussion with the Commission, the Vice-President of the Association expressed the view that it was desirable to commence trading in the May, 1956 contract as well at an early stage, in order to avoid a squeeze on the February, 1956 contract, the prices of which had been rising rapidly". The opening of the May contract did not bring down prices to a reasonable level, nor did it bring about an appreciable effect on the price of the February contract.

4. As regards the circumstances leading to the declaration of an emergency, the Commission refers to the announcement made by the Union Commerce and Industry Minister at the Export Advisory Council at Delhi that Government would not release any further export quotas for cotton till cotton prices stabilised themselves at lower levels. This, it is claimed, resulted in the price of the February contract declining from Rs. 709 per candy on 26th November to Rs. 688-8 on 30th November. When the price rose again, the FMC had discussions with Sir Purshotamdas, particularly with reference to the illegal option business and its effect in pushing up the prices of the Contract. Although the Commission's suggestions to examine the books of persons suspected of being engaged in option business with a view to taking disciplinary action against these were accepted, it is alleged, no concrete action was taken by the EICA. Meanwhile, the February contract went up to Rs. 731-8 and, even after

this, finding neither the Board nor Sir Purshotamdas taking any steps, it seems, the Commission addressed a letter to the latter, on 17th December, pointing out that the rapidly rising trend of the price of the Contract was likely to create a serious situation if not arrested in time and enquiring what action he proposed to take so as to prevent the situation from getting out of hand. Although, on December 19, Sir Purshotamdas is stated to have agreed that the only way in which the situation could be brought under control was to declare a state of emergency, he is alleged to have retracted this opinion later on. The Commission says it again wrote to him, on 21st December, pointing out that the price of the Contract had reached a point where prices were not representative of the supply and demand position, indicating thereby that they were apparently influenced by heavy speculative activities. The Chairman of the Commission is believed to have followed this up with a personal call on Sir Purshotamdas and to have suggested that the latter should close the futures market which was within his own powers, pending the working out of the necessary measures. As Sir Purshotamdas did not think it necessary to take, and also did not take, any of the measures suggested, it is argued by the FMC, the price of the Contract went up to Rs. 747 per candy. Inasmuch as the situation could not be allowed to deteriorate any further, we are told, the Commission asked the Association to take appropriate action under its bye-laws to prevent prices from rising above Rs. 700. This directive of the Commission was placed before the Board of the EICA which, however, according to the FMC, was not given any account of the previous discussions or correspondence on the subject that had passed between the Commission and Sir Purshotamdas. "It was, therefore, natural that the Board should have failed to realise the gravity of the situation and passed a resolution declaring that there was no emergency and that it was necessary to take any action". For, when the Board was apprised of the facts of the case, it is pointed out, it readily passed a resolution on January 6 declaring an emergency and fixing a maximum price of Rs. 700. This resolution was, again, reaffirmed by another resolution on February 8.

In the light of the circumstances leading to the cotton crisis thus, according to the FMC, it would appear, the latter has been, if anything, much too lenient with the EICA. But any impartial observer feels that a little more of give-and-take on either side would have enabled the parties, neither of whom could, in all conscience, absolve itself of the responsibility for the crisis, to avoid a state of affairs which was not helpful to either of them or to that imaginary individual, the grower, whose interest is considered vital and is espoused alike by the FMC and the EICA, let alone others. The former, in choosing a course of action which, according to it, would cause the least dislocation to trade, could not have done worse than deciding to close out the Contract at an unrealistic and arbitrary level, thereby throwing the cotton market into utter confusion. The Commission's argument that "the action taken appears to have been justified by the results achieved" suggests that it apparently believes in the principle that the end justifies the means. But what were the results—a further rise in prices unofficially and forcing of quality cotton underground? To say that the later increase in price was



3 Reasons
WHY
MORE PEOPLE ARE BUYING

DIPTI

CUTS
20%
KEROSENE
CONSUMPTION

According to the latest Government certificate, Dipti lanterns give you clear Six British candle light without any smoke.

TROUBLE FREE
PERFORMANCE

STURDY IN
CONSTRUCTION
ATTRACTIVE
IN PRICE

When you buy a lantern always insist on Dipti. Remember Dipti not only gives you a trouble-free service but also saves twenty percent of your kerosene consumption. It is sturdy in construction and smart in look. It has a special paint which is good for all weathers.

DIPTI
Lanterns
FOR
MILLION HOMES



THE ORIENTAL METAL INDUSTRIES PRIVATE LTD.

Head Office: 77, Bowbazar Street, Calcutta-12. Factory: Agarpara Estate. Progressive OM. 3.

due to factors like scaling down of crop estimates, etc., is too naive to pass muster. The crop did not go down overnight, nor was there a sudden and sharp increase in the export demand. When the FMC took the decision to have the futures market closed for the season, it explained that it was with a view to checking speculative excesses. But the suspension of trading only served to stimulate a further rise in prices, and, without accepting this—because it would tantamount to owning responsibility to the cotton crisis—the Commission conveniently attributes it to "other factors" which expression is beautifully vague. In the event, all that the FMC has succeeded in achieving is to precipitate the resignations of both Sir Purshotamdas Thakurdas and Chimanlal Parekh (President and Vice-

President) which have since been accepted by the Board of the EICA (on Monday 12th May). Most unfortunate as this is—and it cannot but pain any one to see a stalwart such as P.T. who has rendered so much of yeoman service to the economic life of this country to be so unceremoniously ticked off—it has neither helped the cotton trade nor wholly vindicated the FMC. There should at least now be a complete reorientation in the outlook and attitude of the FMC. It should make a concerted effort with the co-operation of the new EICA chief—whoever may be elected—to go into all the issues involved, so that a pattern of organisation and trading which would be in the best interests of both the trade and the country could be evolved.

PROHIBITION HAS COME TO STAY!

By
CROESUS

THE Second Session of the Asian Institute of Scientific Studies for the Prevention of Alcoholism, which was held in Bombay last week, provided an occasion for the protagonists of prohibition to answer certain criticisms against the policy of prohibition and also to correct some misconceptions about the prohibition policy of America. In addition to the 80 trainees who came from all over India, Ceylon, and Burma, there were present at the Session such distinguished persons as Dr. Andrew C. Ivy, Professor at the University of Illinois, and Prof. W. A. Scharffenberg, Chairman of the Institute of Scientific Studies of USA. I was particularly impressed with Dr. Ivy's broadcast talk on the history of American prohibition law, in which he maintained that prohibition did not fail in America, as many people believe. Presumably, he was prompted to touch on this aspect of prohibition after he heard Bombay's Chief Minister, Mr. Morarji Desai, affirm his belief that he did not believe that Prohibition had failed in the US. Dr. Ivy said that Mr. Desai was correct and, in proof thereof, furnished these interesting facts:

"Since the repeal of the prohibition amendment in 1932 and 1933, the consumption of alcohol has increased 16 times, the number of alcoholics has increased 16 times, alcohol related crime has increased 50 times, drunkenness has increased 40 times, accidents due to alcohol have increased 35 times, the money spent on the advertisement of alcohol beverages has gone from zero dollars to 300 million dollars. The expenditure for alcoholic beverages in the US since the repeal of prohibition has increased 40 times and 25 per cent of admissions to mental hospitals are due to the consumption of alcoholic beverages by our people. There were practically no admissions to our mental hospitals due to alcohol during the days of prohibition".

Of the many statistical details that this American Professor gave, I noted with interest his disclosure that it costs more than even the enforcement of prohibition to take care of the cost of all the waste and misery caused by consumption of alcoholic beverages. Thus, for every dollar spent on alcohol, it costs America 10 dollars to take care of the cost of the misery caused by the consumption of liquor. On this basis, as against the 10 million dollars spent on alcohol in America, 40 million dollars are spent on taking care of the costs of waste and misery caused by alcoholic consumption.

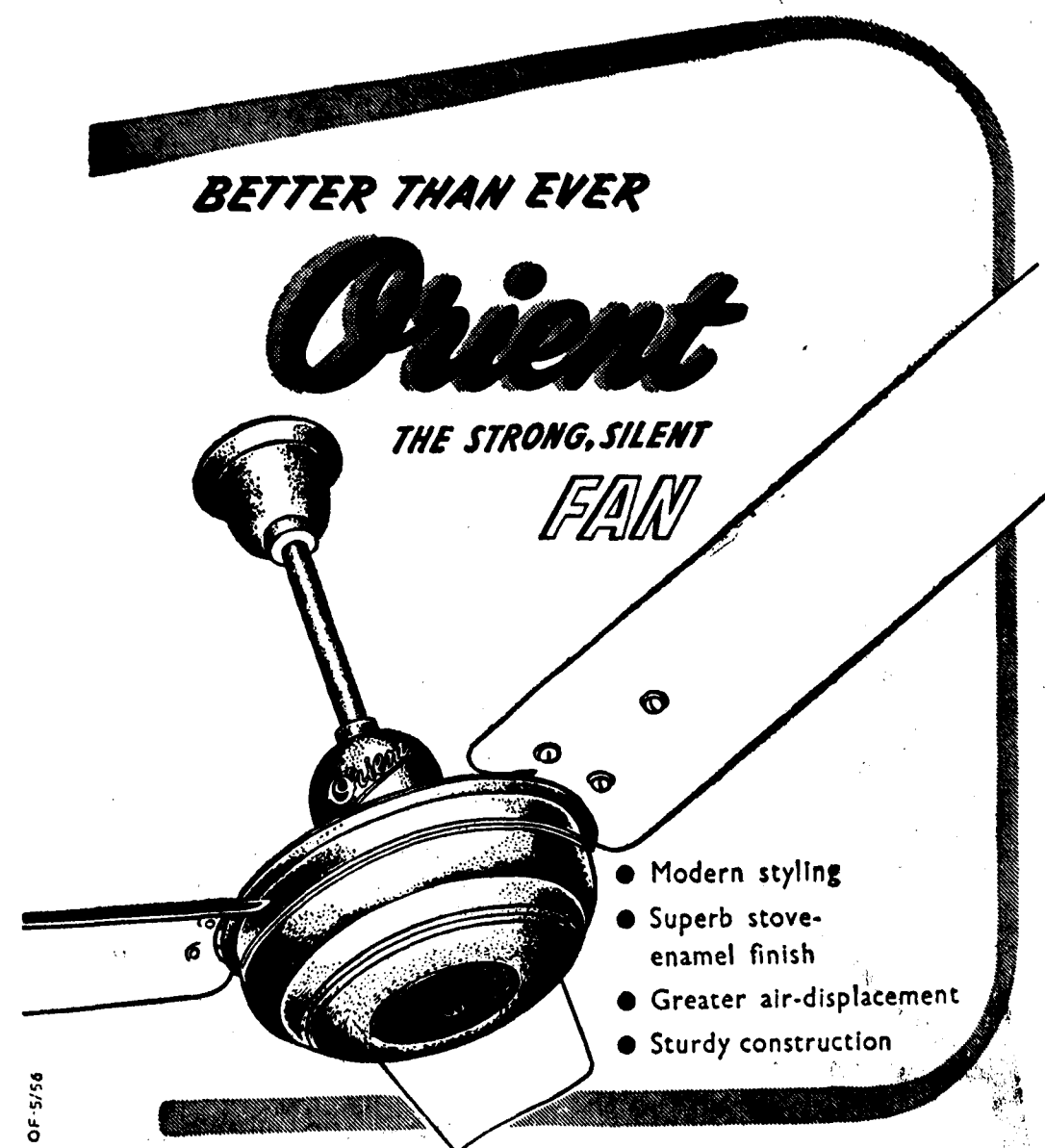
Again, according to Dr. Ivy, for every dollar collected in the form of taxes on alcoholic beverages, 20 dollars have to be spent by the Government and the people to take care of all the waste and misery and illness and poverty and loss of wages caused by the consumption of liquor. Rather than raise these inglorious taxes and spend 10 million dollars annually on liquor, it is Dr. Ivy's view—which, he said, he had mentioned to several groups of business men in America none of whom had challenged him—that this money would be better utilised if it were dumped into

the ocean along with the alcohol beverages it purchased. He also answered the query, which is often raised, that "if prohibition did not fail in the US, why was the law repealed?" This was done, he said, because the people were not told the truth and he charged those who wanted to make money by selling alcohol beverages with having spent millions of dollars telling the people untruth. In contrast, the people who seem to be making money out of selling alcoholic beverages, especially of the illicit type, in this country are the most vociferous champions of prohibition and they want the continuation.

Dr. Ivy also disputed the thesis that there is more illicit distillation in a dry area than in a wet area. Both he and Dr. Jivraj Mehta, who also participated in the Session, exploded this myth by quoting facts and figures which show that more money is spent on illicit liquor and bootlegging when there is no prohibition than when there is prohibition. Dr. Ivy maintained that there was more bootleg whisky sold in the US than during prohibition and more laws were being broken today in the US than during prohibition.

Countering the argument that prohibition leads to large-scale illicit distillation which he characterised as fallacious, Dr. Mehta referred to how it has been successfully established that, in Madhya Pradesh, the number of offences under the M.P. Prohibition Act were greater in the wet area of the State than in the dry area. Even in the USA, which has been a wet area since 1933, he said, 40 per cent of the liquor consumed by the public was illicit liquor.

An interesting point that arose during the Session was whether, for the success of a policy of prohibition, educative propaganda should follow or precede. While general opinion in India seems to be that there should be extensive educative propaganda before legislation in regard to prohibition, Dr. Ivy held the view that it is necessary to keep on the propaganda in the wake of the introduction of prohibition. According to him, one of the reasons why prohibition law was repealed in America was because the good people of the US did not continue their educational propaganda and thought that the passage of law would be enough. He, therefore, complimented the political leaders of India on their not only having started an educative propaganda before starting prohibition even from the British days but also on their continuing to tell people constantly that it is wrong to use alcohol by employing an educational programme against alcoholism in the country. The Session seems to have established that the policy of prohibition has succeeded beyond expectations, although this does not mean that there is no one who does not drink in the State of Bombay today. After attending the Session, one came out with the feeling that prohibition has come to stay not only in Bombay but all over the country. The latest publicly to bless it, it is significant, is the Prime Minister, as witness his message to the Session.



ORIENT GENERAL INDUSTRIES LTD. 6, Ghore Bibi Lane, Calcutta-11

Sole Distributors:—M/s. REPUBLIC ELECTRICAL CO., 16/25, Katra Baryan, Fatehpuri, Delhi.
Telephone: 23831-(PP)



THE UNITED COMMERCIAL BANK LTD.

HEAD OFFICE : CALCUTTA

LONDON BRANCH : 12, Nicholas Lane, E.C.4.

Subscribed Capital	...	...	Rs. 4 Crores
Paid-Up Capital	...	...	Rs. 2 Crores
Reserve Fund	...	...	Rs. 95 Lacs
Total Working Funds	...	...	Rs. 81 Crores
(As at 31.12.55.) Over	...	...	Rs. 81 Crores

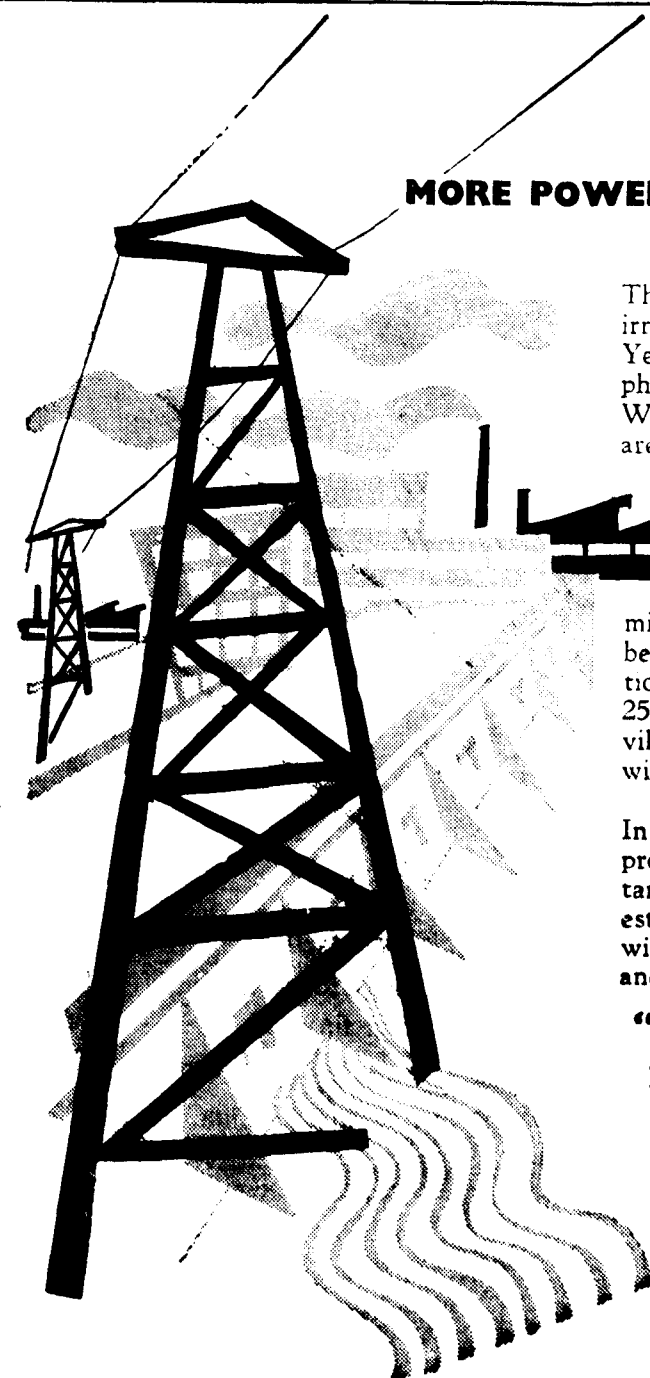
BRANCHES IN INDIA, PAKISTAN, BURMA, MALAYA & HONGKONG

Agents all over the world

G. D. BIRLA
Chairman

S. T. SADASIVAN
General Manager

RUPEE TRAVELLERS' CHEQUES ISSUED IN CONVENIENT DENOMINATIONS.



MORE POWER TO OUR VILLAGES

The achievements in power and irrigation under the First Five Year Plan are actually the first phase of a long-term expansion. Within 15 years our total irrigated area will be doubled, production of electricity will increase from 2.3 million KW to 15 million KW!

During the Second Plan 21 million acres of fallow land will be irrigated, per capita consumption of electricity will rise from 25 units to 50. Over 80% of all villages of over 5,000 population will be electrified.

In these vast power and irrigation projects paper will play an important part. Wherever plans and estimates have to be made, paper will supply the means of record and communication.

"planning begins on paper"

TITAGHUR

Makers of Quality Papers
for over 74 years

TP 914

West Bengal Government Publications INDIA'S VILLAGES

A collection of articles on the structure of village communities of India originally published in the "Economic Weekly" of Bombay. Introduction by M. N. Srinivas and published by the Development Department, Government of West Bengal. Price Rs. 4-8. Price including forwarding charges plus sales tax Rs. 5-13. Price (English) 7sh. 6d.

WEST BENGAL DISTRICT RECORDS— NEW SERIES—BURDWAN

Contains almost all letters received by the Collector of Burdwan as preserved at the Burdwan Collectorate Record Room.

Edited by Asok Mitra, I.C.S., Price Rs. 20. Price including forwarding charges plus sales tax Rs. 24-8. Price (English) L. 1-9sh.—11d.

Cash Sales at—

PUBLICATION SALES OFFICE
1, HASTINGS STREET, CALCUTTA.

For mail orders please remit the amount of price including forwarding charges to—WEST BENGAL GOVERNMENT PRESS, PUBLICATION BRANCH, 38, GOPALNAGAR ROAD, CALCUTTA-27.

THE EASTERN ECONOMIST

(Subscription Rates)

	Payable in advance	
	India Rs.	Foreign Rs.
Annual	50	66
Half-yearly	25	33

Copies delivered by air in Bombay, Calcutta and Madras at an extra cost of Rs. 9/- per year.

Foreign air rates on application. Offices in New York, London and Tokyo.

The Manager,

THE EASTERN ECONOMIST LTD.

52, Queensway

NEW DELHI

BUSINESS NOTES

MANUFACTURE OF RAILWAY EQUIPMENT

THE COMPOSITION of the Railway Equipment Committee lends weight to its report a summary of which has been released this week. There were two broad terms of reference fixed for the Committee. The first related to the problem of idle capacity. The Committee has given a decisive finding on this term which requires a complete revision of the popular notion. It says that idle capacity does not now exist in engineering industries as a normal situation and its emergence in particular units at different periods is due to acute short supply of basic materials—steel, pig-iron and hard coke. Its suggestions for removal or mitigation of these shortages form part of the recommendations on the second term.

The second term relates to expansion of present production capacity to catch up with the growing demand of railways for equipment and stores. In its view near-self-sufficiency should not prove difficult to achieve. The conditions attached for this goal, however, impose an onerous obligation and require a firm long-term policy to be adopted by the Government. Self-sufficiency is not to be achieved at any cost. But immediate post-war experience of critical shortages of imports has brought home the vital lesson of repeated deadlocks in replacement and expansion schedules resulting in serious worsening of railway transport capacity. A recurrence of similar deadlocks cannot fail to produce grave dislocation in the execution of the Plan programmes.

The Committee wants the Government to frame its equipment purchase policy on the basis of the Railway Ministry's original development plan of Rs. 1,480 crores which would eventually prove inescapable. It urges that licensing of additional capacity should make a liberal allowance for the projects of some newcomers not materialising. Steel shortage is going to be a great worry for at least the first half of the Plan and this aspect makes procurement of steel for railway equipment producers a part of the larger problem of steel for railways in general. The Committee has suggested a special scheme of pricing and distribution whereby controlled materials should be routed from specified centres in the equipment producing States and supplied at a uniform price over the whole country. It has endorsed the Stores Purchase Committee's recommendations of price preference and patronage to small-scale industries, but this is a fractional source of supply for the railways. The Committee has emphasised a policy of long-term orders for continuity in production and supply extending over the entire Plan period and "educational orders" in important lines of manufacture which may be new to some units.

CREDIT CONTROL

THE STEEP rise in the price of rice and paddy in recent months has prompted the Reserve Bank to apply the brake on advances of scheduled banks against stocks of paddy and rice. "It is imperative", the Reserve Bank directive says, "that banks should refrain from excessive lending against commodities and should not assist in the speculative holding of stocks". As evidence that speculation is at the root of the 'abnormal' rise in prices, the Reserve Bank cites the increase in scheduled bank advances against paddy

and rice from Rs. 11.64 crores at the end of March, 1955 to Rs. 24.62 crores at the end of March 1956 indicating a rise of 111.6 per cent. It may be said in support of this contention that prices have gone up in many places which are paddy areas, whereas they have not shown any appreciable rise in deficit areas like Travancore-Cochin and Malabar. But, at the same time, it does not seem to have been fully established that the higher advances are an indication of only this factor, namely, overtrading. The rise in advances may also be due to other causes like: (i) a general uptrend in commodity prices; and (ii) a delayed harvest or a prolongation of the paddy season. It may be mentioned here that the prices of several other commodities such as, for instance, chillies, have also registered considerable rise, as in Madras.

Under the Banking Companies Act of 1949, the Reserve Bank has wide powers to control prices wherever any upward trend can be traced to the activities of the banking system. It is well known that deficit financing will augment the ability of the banks to extend credit to the private sector. There is an obligation on the part of the Reserve Bank to ensure that, as far as possible, such credit extension does not add to the inherent difficulties of inflation. Hence the justification of the Reserve Bank's directive. But, alongside of this, other measures also are necessary, as, for example, provision for a reserve stock of food grains and other commodities, which would serve as the best defence against excessive credit expansion. Fortunately, this has been done under the second Five-Year Plan.

Even more important, perhaps, is the suggestion of quantitative and qualitative controls on credit, including variations, from time to time, in the relationship to be maintained between the liabilities of banks and their cash reserves. This has been provided in the Reserve Bank amendment. But the manipulation of reserves, which banks have to keep with the Reserve Bank, if done carelessly, may even prove injurious to the economy, as was evidenced by the near-crisis of 1952, brought about by a sudden contraction of bank credit. The American experience in this behalf should always be kept in mind.

ENLIGHTENED POLICY FOR SHIPPING

ONE OF the reasons why Indian shipping has not been able to make headway as envisaged by the Shipping Policy Sub-Committee in 1945 and the target of tonnage expansion recommended for 1952 has been deferred to 1961 is Government's failure to adopt an enlightened policy of vigorous encouragement to shipping. The history of the growth of shipping in all maritime countries has exploded the myth of progress in conditions of free competition and has conclusively established that shipping everywhere has thrived and developed by active and deliberate government assistance. This factor is being given slow recognition by the Government of India. It has no doubt come to the help of shipowners in a responsive attitude by liberalising the terms of loans for the purchase of additional tonnage. But this measure does not go far enough.

Mr. C. R. Srinivasan's sober speech at the Bharat Line's annual meeting demonstrates that the Govern-

ment of India's shipping policy on several outstanding issues has been halting. He has illustrated this central drawback with specific instances. The increase in cargo freight rates has come in instalments, but even so the final increase granted with effect from April last adds up to a total of 10 per cent which does not cover the rising costs of operation. The strain on the finances of shipping companies has not been relieved. Freight rates for Railway coal have been raised, but decision on private coal has been postponed until the report of the Co-ordination Committee. In a situation where the profit margin is rapidly diminishing and their budgets are hard to balance, it is difficult to expect shipping companies to come forward with enthusiasm to undertake bolder schemes of expansion. Bharat Line has assumed the risk of entering the Persian Gulf trade on its own, but the promised government assistance is not so far in evidence. An important sphere where Government has hesitated to plant its policy firmly is industrial relations. The way in which industrial disputes in the shipping industry are being settled should leave no doubt that the attitude of drift threatens to produce adverse repercussions on the progress of shipping.

THIN END OF THE WEDGE?

THE FORMAL registration of the State Trading Corporation on the eve of the meetings of the Import and Export Advisory Councils was an event whose significance could not be allowed to pass unnoticed during the discussion on trade policy. For a considerable time past the pros and cons of the Corporation were debated at official and non-official levels. The point generally made by the advocates of the Corporation stresses the fact that its establishment does not introduce any novel or radical principle in our trading policy since the State has been making purchases of stores for government requirements and since the war the area of its operations has been considerably widened by imports of food grains as well as other essential materials on government account. It is argued that our bilateral trade pacts with Communist countries which have a monopolistic pattern for their external trade makes it obligatory on us to set up a counterpart agency in this country.

It would certainly not be uncharitable to treat this view as superficial. The implications of the possible scope of the functions of the Corporation go much deeper. It is not really incumbent on this country to establish a State trading agency to deal with Communist countries and it is well to remind ourselves that other countries of the free world have not found themselves under any such compulsion. At the present time confusion prevails in official quarters over the precise form of the organization and functions of the Corporation. Mr. Karmarkar's reply to the points raised at the Import Advisory Council's meeting has not helped to clarify Government's intentions. It serves little purpose to be told that the organization of the Corporation would take time to evolve and no care need be raised unnecessarily. In the same breath he reminded the meeting that the country had adopted the goal of the socialist society. The Corporation's memorandum and articles of association provide for the omnibus clause to extend the scope of its activities to allied spheres. Subsequent events may prove that it was naive to treat this clause as purely conventional. The threat of encroachment on the established channels which serve as the solid foundation of our trade cannot be dismissed lightly. A clear definition of the limitations of the corporation's functions is necessary to allay genuine fears.

EXPORT CREDIT INSURANCE

THE COMMITTEE of the Indian Merchants' Chamber have, in a memorandum submitted to the Export Credit Guarantee Committee, welcomed the proposal for an Export Credit Guarantee Scheme. They are of the opinion, however, that the scheme should initially be applied to only a few classes of commodities; otherwise, they fear, it would be too unwieldy.

The Memorandum suggests that the articles selected for coverage should be those in which the trade is fairly organised as well as those manufactured goods which would be available for export with the development of the Five-Year Plan. In order to reduce the premium rates and remove unequal competition, it is essential that all exporters of the selected commodities should insure with the Export Credit Guarantee Organisation.

The risks covered are: (i) insolvency of the foreign buyer, (ii) failure to pay for delivered goods within the stipulated period; (iii) exchange restrictions or shortage in the buyers' country; (iv) occurrence of war, rebellion or revolution and (v) any other cause of loss outside the selling country, such as the imposition of fresh import licensing restrictions in the buyers' country or cancellation of the existing valid import licence. The IMC memorandum says that the scheme should not contain, at any rate, in the initial stage, a provision for covering risks faced by foreign buyers, since such a provision is likely to be construed as an admission that the Indian exporters as a class are not reliable.

As regards the organisation for administering the scheme, the memorandum suggests that it should be a quasi-governmental corporation fully representative of banks, insurance companies, trade and commerce. It is the Chamber's view that, though based on commercial principles of insurance, exporters paying premium at different rates according to varying export risks, the scheme as a whole should be worked on a 'no-profit no-loss' basis. Then only, according to the IMC, can premium rates be kept at the minimum level possible. It is also suggested that the period of 12 months within which payment is to be made by the buyer in the case of a 'shipments policy' is too long, and that, therefore, it be reduced to six months.

It would appear that the Export Guarantee Organisation is to be given permission to refuse to guarantee any particular consignment or only to accept part of the risks. While conceding such an enabling provision, in the relevant legislation for the purpose, the IMC points out that it would at the same time be advisable clearly to define and specify the factors and circumstances which will be the criteria for refusing a particular risk. The Chamber also wants that there should be suitable provisions in the scheme by which an exporter would be free to enter into export commitments beyond the limit prescribed by the Corporation at his own risk and cost. This would clearly present a ticklish problem to the Corporation. It is arguable, for instance, that, inasmuch as the Chamber itself wants the scheme to be made obligatory on all traders of given commodities, any such permission would lead to an anomalous situation in which these traders, who are allowed to operate at their own risk beyond a limit up to which they are covered by the scheme, might indulge in excessive commitment and upset the stability of prices.

Company Meeting

THE BHARAT LINE LIMITED

Speech of the Chairman, Mr. C. R. Srinivasan, at the Tenth Ordinary General Meeting of Shareholders, held on May 21, 1956 at Bhavnagar.

Gentlemen,

It gives me great pleasure to welcome you all to the Tenth Ordinary General Meeting of the Company. The Directors' Report and the audited Balance Sheet and Profit & Loss Account have been in your hands for some time now. I trust I have your permission to take them as read.

You will notice in the agenda for the meeting there are several items included which have not hitherto found a place there. The Companies' Act I of 1956 came into force in April last and under the provisions of the New Act, much that was assumed in the past, now requires formal affirmation by shareholders after due notice. The intention obviously is to associate shareholders more intimately in the affairs of the Company; the need to do so arises not merely because there have been instances where their interests have been neglected for lack of sufficient and suitable safeguards; it arises also in the context of our expanding economy which depends in part on joint stock enterprise wisely directed and watchfully supervised for the service of the country's interests. It may be that some of these provisions of watch and ward impose needless and vexatious burdens on the freedom of enterprise, but so long as they are administered with understanding and sympathy, those who are moved and motivated by an identity of interest between the Company and the country should find little difficulty in adjusting themselves to the new conditions and if an informed and instructed body of shareholders emerge in consequence, it is all to the good and none may gainsay its value and importance. Incidentally it may help the private sector to recover its proper place in public economy.

The economy that we recovered from the foreign administration was one of shreds and patches and its reconditioning called for care and caution, especially with the limited mobile resources at our disposal. The first Five-Year Plan was drawn up with emphasis on the agricultural sector and by all accounts a very good job of work has been done in the first Plan period. The second Five-Year Plan commences with the current official year and though its contours are yet to be defined with precision, it is common knowledge that this time the accent is on the industrial sector. The need to create a balanced economy with a view to widening the range of employment and raising the standard of living is now increasingly recognised and means and methods to this end are now vigorously canvassed in all informed circles. Considering the size of the plan frame and the prospect of recourse to deficit financing to service substantial parts of it, it is obvious that the success of this adventure turns largely on the measure of willing and wholehearted co-operation forthcoming from the community; in particular, wisdom lies in enthusiasing the private sector to engage in the task ahead, without doubts or misgivings.

It is not so much the socialistic pattern of society to which our course is set that alarms the business community; they are realists and can appreciate the impact of new forces in a changing world. Everywhere these forces are at work; only in India additional momentum has been imparted because these forces had been dammed for decades past; but our political propagandists, in their anxiety to show that they are in the vanguard of the new movement, have unfortunately laid more stress on the break with the past than the build for the future. The business community is naturally exercised over recent developments and a restatement of Government policy in the context of the socialist pattern was clearly indicated. This has now been clearly enunciated by the Prime Minister in Parliament and should serve to enlighten concerned interests where they stand in the new economy. Industrial programme and progress will be attempted and achieved on a three tier basis. There will be at the base a public sector comprehending industries which, for reasons of security and scale of investments, can best be run on Government ownership and control; in the middle, there will be a composite sector where private enterprise is intended to supplement Government efforts; at the top there will be a private sector where private enterprise will have full play though subject to regulation in public interest. Rightly understood, interpreted and administered, few will be disposed to quarrel with this distribution of responsibilities in a country's economy if the international forces unleashed in the 20th century are properly appraised and assessed. It cannot, however, be denied that what is being attempted, is a controlled economy with facets of freedom.

It is not enough, however, if Government restate their policy in clear terms. They must also create and maintain conditions under which industry, howsoever placed, can thrive and give of its best. The primary requisite in this direction is a period of industrial peace. In my address last year I have dealt at length with the problems posed by labour and by way of illustration cited facts and figures to establish that neither in their own interest nor in the interests of the country could the way they had reacted to the needs of the situation be justified. Government is not unaware of what is happening; but the machinery of Government moves so slowly that oftentimes it serves but to illustrate the juristic maxim that justice delayed is justice denied. I am sorry that so far as our experience goes the position has, if anything, aggravated and the infection has begun to spread to higher ranks also. Not merely is the weapon of strike indulged in on the smallest provocation as the recent dockyard strike in Calcutta illustrates, but the 'go slow' virus seems to have lodged itself deeply in the body politic. The output is steadily falling and the turnover per man hour has declined in every industry. Apart from standard wages, incentive bonuses have been offered by way of additional inducement, but it is early days yet to assess how far this will stop the rot. In marginal industries working under competitive conditions the strain on enterprise

is beginning to sap all enthusiasm for expansion. That this should happen when the country is being called upon to co-operate with a large scale expansion in the industrial sector is a tragedy too deep for tears. I hope those who are framing the plan will turn their attention to this festering sore in the system and see their targets are not defeated by it.

In a rapidly developing economy where progress on many fronts is contemplated there is one danger that farsighted men should guard against well in advance. I raise this note of warning because I am afraid in the frame work of planning sufficient attention has not been paid to the multifaceted problem of transport. As it is, with the limited objectives we have achieved under the first Five-Year Plan, transport has already become difficult, seriously upsetting production and distribution programmes of industrial units. Traffic on the railways has become so congested that it is seriously suggested that propaganda should now be taken on hand for discouragement and not encouragement of traffic. There has also been large scale diversion of coal traffic to coastal shipping; but with rising costs on the one hand and avoidable delays at the ports on the other the rates offered are so uneconomic that shipping companies find little enthusiasm in a situation that should normally stimulate enterprise. The turnover of every shipping company engaged in the coastal trade has registered a fall and the margin of profit is fast coming to vanishing point. More ships should be commissioned to cope with the coastal traffic, but frankly the incentive is not there.

Nearly a year back shipping interests applied for raising the freight rates, but after repeated representations a token 5 per cent increase was allowed in October last year. During the interval the costs of replacement, services and materials, have kept on rising with the result that the original increase, which the Indian shipowners considered a year back as barely sufficient to meet their liabilities, is out of date today, and suitable representations have been made to the Government in the matter. Whereas the Coastal Trade saw the last increase as far back as in 1951, the other Trades with which India is intimately connected have seen increases ranging from 21 per cent to 45 per cent during the same period. Examples are not uncommon where the Conferences concerned have increased their freight rates by 21 per cent within the last twelve months. The Coastal Trade has meanwhile been compelled to suffer heavy losses. The Government of India would appear to be cognisant of this position because at the Meeting of the Consultative Committee of Shipowners held in Bombay in November last the Hon'ble Minister for Transport stated:

"One of the matters which have of late agitated the Indian Shipowners is the question of suitable increase in the coastal freight rates. The Shipowners had proposed to put up the coastal freight by 10 per cent, but Government have found it possible to agree to an increase of 5 per cent only. I know this has not been generally appreciated, but Government are committed to review the matter after the Rail-Sea Co-ordination Committee has submitted its report. If that report is not received by March 1956, Government would take up the matter again on their own with a view to examining whether any further modification in the freight rates could be justifiably made."

The Rail-Sea Co-ordination Committee have not been able to bring out their Report so far. In the meantime, the second interim increase, which was contemplated by the Hon'ble Minister for Transport to be effective soon after 1st March, materialised only some time during the current month. Even this increase is to the extent of 5 per cent only on general cargoes effective April 1 last. The freight rates on Railway Coal will

be revised with retrospective effect from April 1 this year only after the Government receive the recommendations of the Rail-Sea Co-ordination Committee. On the other hand the freight rates on coal moving on private account or for bunkers will continue at the present level till the Government take decision on the recommendations of the Rail-Sea Co-ordination Committee and will have no retrospective effect as on Railway Coal. This piecemeal treatment takes no cognisance of loss in earnings already suffered by the shipowning community, nor does it take into account the changed circumstances of the case which have been duly represented to the Government and which call for higher increases in the freight structure, nor even is the present increase in any way commensurate with the increase effected by foreign shipping on foreign trade routes with some of which the Government themselves are associated.

Unless, therefore, further substantial relief is forthcoming without loss of time, I am afraid, there is little prospect of improvement in coastal traffic. A modest target is fixed under the second Five-Year Plan for the expansion of shipping raising the total tonnage to less than a million tons in 1961 and shipping companies have been asked to frame programmes of expansion during the second Planning period. I wonder, however, if in the conditions that prevail today the response will be adequate. Government is no doubt anxious to help with credit facilities; but unless the prospects of making both ends meet are visibly improved, few will come forward to take advantage of the credit facilities offered. Earlier experience is not calculated to enthrone enterprise either. Shareholders are aware that we were induced to enter the Persian Gulf trade with promise of Government co-operation and assistance. Though two years have passed, a lot of spade work had been done, and quite a sizable trade had been built up, at a considerable sacrifice, we still await concrete proposals as to the manner and measure of help that Government intend to extend to stabilize this new line of traffic. Another matter, which is likely to affect the financial side of the Company's operations, is the recent strike of the Company's floating staff officers, the arbitration award in respect of which imposes considerable additional financial burden on the Company. It seems that the time has come when, as in the case of the ships' crews, the emoluments of the officer staff should also be standardised; and it will be in the interests of the Shipowners that they seek immediate appointment of a Commission to examine the subject from all angles and evolve fair standards of emoluments for the officer staff linked with the country's cost of living index. I am afraid that unless a ministry of shipping is separately organised to study and service the interests concerned, the shipping industry will not develop as much as it should if the expanding needs of the situation are to be adequately met. At the request of Government we have diverted two of our ships to the Russian Service, but it will be possible to assess its potentialities only after an initial proving period. All that I am concerned to stress in this context is that there is no lack of enterprise provided fair conditions and fruitful co-operation are assured.

The Report of the Directors gives a comprehensive picture of the year's work and though earnings have fallen and the margin of profit reduced, we have been able to maintain the dividend at the previous level. I do not propose to make any detailed comments. My thanks are due to my colleagues on the Board and the Management for the cordial co-operation they have extended and I bear testimony also to the good work of the staff both ashore and afloat. With these words I now formally move that the Directors' Report and the audited Balance Sheet and Profit and Loss Account for the year ended December 31, 1955, already duly sent to the Shareholders be and are hereby adopted.

COMPANY AFFAIRS

BIHARAT LINE LTD.

The results of working of the Bharat Line Ltd. for 1955 show the same general downward trend in profits as most other Indian shipping companies, whose accounts have been published in recent months, have disclosed. The freight earnings of the Company declined by about 11 per cent, from Rs. 2.62 crores in 1954 to Rs. 2.34 crores in 1955. This fall is mainly attributable to the fact that no chartered tonnage was permitted on the coast during the year under review as also to the sale of one of the ships at the opening of the year. Both these served to reduce the volume of tonnage handled with a corresponding reduction in freight receipts. Again, there was a considerable fall in the India-Burma trade due to the stoppage of rice imports from that country. Last but not least, the inordinate delays at loading and discharging ports and the high maintenance costs, which had considerably affected the Company's operation in the previous year, continued unabated during the year under report also. The drop in earnings brought with it a fall in the Company's gross profits from Rs. 35.25 lakhs to Rs. 30.68 lakhs. Since the close of the year, the Labour Appellate Tribunal has decided in favour of the piece-rate system of wage payment to deck labour. The Directors hope that, with this welcome change and the trend towards improvement of freight rates, the financial position of the Company would improve in the coming years. The following table gives the earnings and profits of the Company for 1955, as also for the previous two years:

Year	Freight & Charter Hire Rs.	Gross Profit Rs.	Dividends Rs.
1955	2,33,71,418	30,87,642	5,00,000 (5%)
1954	2,61,80,933	35,25,404	5,00,000 (5%)
1953	2,22,27,901	39,61,845	5,00,000 (5%)

The Company has a fleet of 14 ships aggregating 98,598 d.w. tons and 64,516 gross registered tons. The Company has submitted to the Government a project envisaging the acquisition, during the second Plan period, of nine more ships against further loans from Government of about Rs. 6.50 crores, out of which about Rs. 2 crores are to be drawn in 1956-57. The current outstanding balances of loans from Government aggregate Rs. 1.37 crores which, together with unsecured loans, make a total of Rs. 1.46 crores. Now, as the secured and unsecured loans exceed the paid-up capital of the Company, viz. Rs. 1 crore (there being no free reserves), the sanction of the shareholders in general meeting under Section 293 (1)(d) of the Companies Act, 1956, is required to enable the Directors to borrow further money.

INDIAN ALUMINIUM CO., LTD.

After suffering losses for two consecutive years, the Company's working for 1955 has resulted in a profit of Rs. 26,79,662 after providing Rs. 21,55,409 for depreciation and depletion at normal rates. The profits are the highest since the Company's inception in 1938 and have been attributed to improved market conditions, improvement in prices, and the realisation of expected benefits of large-scale production facilities available for operating during the year. As a result of the satisfactory operations during the year under review, the Directors declared an interim dividend of 4 per cent on ordinary shares which absorbed Rs. 6,40,000. A final dividend of 5 per cent has now been recommended, making a total of 9 per cent. On Preference shares also a dividend of 5 per cent, less income-tax, has been recommended for the year 1955.

Sales of the Company's own products registered an increase of nearly 50 per cent over the previous year from Rs. 192 lakhs in 1954 to Rs. 288 lakhs in the period under report. The sales of Agency and Distributor products recorded an even higher increase of 70 per cent totalling Rs. 77 lakhs.

With sufficient power becoming available in March, 1955, the ingot production from the smelter at Alupuram went up from 2,945 tons in 1954 to 4,863 tons in 1955. The rate of production continued to rise. At Kalwa works, the production of aluminium paste, used in the manufacture of paints, reached, for the first time, the rated plant capacity of 260 tons; in 1954 the production was 180 tons. An extension plant of 1000 tons annual capacity, with a die shop, was installed near the Alupuram smelter during the year, and by the end of the year, the plant was producing at about 40 per cent capacity. The Company is also proceeding with the establishment of another smelter near the Hirakud power project with an initial capacity of 10,000 tons which may be doubled later. The Directors feel that considerable success has been achieved in gaining acceptance for aluminium in new applications, principally in railway coaches, and wagons, bus bodies and various kinds of buildings and structures.

THE HIND BANK, LTD.

The business of the Bank during the year 1955 and the results achieved show an all-round progress. After deduction of all working expenses, the accounts show a profit of Rs. 10,86,458, as against about Rs. 6.56 lakhs in 1954, which together with the balance brought forward from the previous account, of Rs. 1,12,820 totals Rs. 11,99,298. Out of this taxation takes away Rs. 4 lakhs, the amount transferred to reserve fund is Rs. 2.5 lakhs and Rs. 83 thousand are allocated for Bonus to staff, leaving Rs. 4,66,278. The Directors have recommended a bonus at Rs. 3 per share, free of income-tax, which absorbs Rs. 3 lakhs, leaving a net balance of Rs. 1,66,278 to be carried forward.

The Bank has been able to have its share of the general improvement during the year under review. Its deposits show an increase of nearly 25 per cent compared to 1954. About 93 per cent of its investments are held in the Central and State Government Bonds of which 87 per cent mature within the next nine years. In the Balance Sheet, the investments have been shown at below market value as at the close of the year.

KLM

In a total turnover of 384,517,000 guilders for its working year ended December 1955, the KLM has announced a net profit of 18,995,000 guilders—over 8 million guilders more than the profit for 1954 in which the total turnover amounted to 367,697,000 guilders. The traffic revenue for the year was 348,087,000 guilders as against 333,291,000 for the previous year. The output in the year under review amounted to 364,900,000 ton kms., registering a 4 per cent increase over 1954, while the sales increased by 8 per cent to 222,800,000 ton kms. The load factor rose from 59.3 per cent to 61.1 per cent. Passenger traffic was 7 per cent higher and freight traffic increased by more than 15 per cent.

After adding 10.5 million guilders to reserves, a dividend of 6 per cent will be paid out of the surplus. Depreciation on the fleet and other assets amounted to 47 million guilders. Substantial orders have been placed for new aircraft expected to be delivered between 1957 and 1960. The Royal Dutch Airlines hopes to be able to finance the greater part of these purchases from its own resources.

COMMODITY NEWS AND NOTES

INCREASED OUTPUT OF COAL IN INDIA

The output of coal in India increased from 3,358,077 tons in February, 1956, to 3,360,456 tons in March, 1956, according to official statistics released by the Inspector of Mines in India. Despatches of coal amounted to 2,835,244 tons in March, 1956, as against 2,696,604 tons in the preceding month. Coal stocks at pitheads amounted to 3,899,650 tons at the close of the month. During the month under review 839 collieries were reported to be working with an average daily employment of 333,269 workers. Output per man-shift was estimated at 1.10 tons for miners and loaders, 0.58 ton for all workers underground and in open-workings and 0.38 ton for all persons employed including surface workers. The percentage of absenteeism was of the order of 14.81. Mine coke plants at collieries and elsewhere produced 358,179 tons of hard, soft and other kinds of coke during the month and despatched 170,911 tons.

FALL IN WORLD TIN OUTPUT

World mine production of tin-in-concentrates fell by 1,500 tons, from 13,900 tons in January to 12,400 in February, according to the International Tin Study Group. During March, Malaya produced 5,261 tons, Indonesia 2,166 tons, and the Belgian Congo 1,349 tons. World tin metal output dropped from 16,900 tons in January to 11,800 tons in February, a decrease occurring in all important producing areas. In March the UK produced 2,452 tons. Stocks of world tin dropped from 71,000 tons at the end of December to 69,300 tons at the end of January this year. By February, UK stocks were 7,300 tons; Malayan stocks 6,100 tons, Indonesian stocks 3,706 tons.

CHILEAN COPPER PRODUCTION

Chilean copper production from January 1 to April 30, totalled 133,033 tons, compared with 139,649 tons in the same period last year. Details were: Chuquibambilla, electrolytic 41,389 tons and blister 34,647; Potruquillos, blister 11,211 tons, El Teniente, fire-refined 38,341 tons and blister 7,445. Kennecott copper has advised the Government that it will continue to sell copper produced at El Teniente and shipped to the United States at 46 cents a pound, following a similar decision by Anaconda.

TEA CONSUMPTION IN INDIA

Tea consumption in India in 1954-55 was largest in the Bombay, West Bengal and Madras regions, according to the provisional statistics. Consumption in Bombay, including Saurashtra and Kutch, was estimated at 39,659,819 lb., West Bengal, including Tripura and Chandernagore, 33,836,124 lb. and Madras, Andhra and Coorg 31,209,354 lb.

Consumption in the Punjab region, including Pepsu and Himachal Pradesh, was 17,163,306 lb., Assam, including Manipur and Sikkim, 11,946,912 lb., Travancore-Cochin 5,129,039 lb., Mysore 3,439,433 lb., Hyderabad 5,286,375 lb., Bihar 7,133,440 lb. Uttar Pradesh 3,161,392 lb. and Madhya Pradesh 4,783,254 lb. In other regions the consumption was comparatively insignificant. In Madhyabharat, Bhopal and Vindhya

Pradesh the consumption was 1,664,814 lb., Rajasthan and Ajmer 1,476,733 lb., Delhi 1,735,864 lb., and Orissa 1,184,589 lb. The total internal consumption in 1954-55 in India was 168,810,448 lb.

WORLD RUBBER CONSUMPTION

World consumption of natural rubber fell in March to 150,000 tons compared with 160,000 tons in February, according to the latest figures issued by the International Rubber Study group. Total consumption was thus down to 475,000 tons in the first quarter of this year compared with 495,000 in the last quarter of 1955. It was still, however, in excess of the figure for the first quarter of 1955 which totalled 460,000 tons. The sharp drop in rubber consumption in March reflects to a large extent a fall in exports to China. These are estimated at only 600 tons compared with 6,250 tons in February. UK consumption was down in March—probably by about 2,000 tons.

UK'S WOOL CONSUMPTION

Less wool was consumed by the UK textile industries during March than a year previously. Fewer wool tops were produced and the deliveries of woven wool fabrics as well as of blankets were also smaller. On the other hand a slightly larger quantity of worsted yarns was delivered. The decline in wool consumption was 11 per cent compared with March, 1955; the largest decreases occurred in the woollen section. Tops of wool and hair were produced at a rate some 3 per cent lower than a year before but while cross bred tops production declined considerably, merino tops output rose slightly. The rate of delivery of blankets was 15 per cent lower than in March last year.

WORLD COTTON SUPPLIES

World cotton supplies are estimated at more than 51 million bales—a post-war record—by the International Cotton Advisory Committee. This is an increase of 2.7 million bales since 1955. It is reported that free world production, at present estimated at 30.6 million bales, would reach an all-time high level, due chiefly to record yields in the United States despite a significant cut in acreage under cultivation. Cotton consumption in the free world should level off at near the record 1954-55 total of 27.6 million. The free world's carry-over on August 1, 1956, should be about 23 million bales.

TEA PRODUCTION IN INDONESIA

Total production of tea in Indonesia was 43,400 tons in 1955 as against 46,000 tons in the previous year. There was also a considerable fall in the export of tea from the country in 1955, compared to 1954. 32,900 tons of tea was exported in 1955 which is 26.9 per cent less than the export figures of 1954. The proceeds from tea exports, however, were only 21.6 per cent less than the export figures of 1954, at Rupiahs 356 million against Rupiahs 454 million in the previous year. The exports of leaf to UK were higher. Governmental controls imposed on exports to Singapore and Hongkong markets reduced the earnings of foreign exchange from these countries.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

		Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
		Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48	..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49	..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50	..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51	..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52	..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53	..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54	..	384.4	467.7	350.2	367.4	686.6	397.5	90.4	100.6	87.3	95.6
1954-55	..	339.8	436.2	350.3	377.3	612.4	377.4	90.5	100.7	88.4	113.0
July 1955	..	309.7*	408.1*	329.6	370.9*	562.6*	355.6*	90.9	100.7	87.8	117.0
August .. c ..	..	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.8	122.8
September .. c ..	..	313.0	396.1	324.8*	368.8	556.3	353.2	90.9	100.7	87.2	122.8
October .. c ..	..	315.7	403.7*	329.8	371.2	559.3	357.2*	91.0	100.7	87.2	124.5
November .. c ..	..	326.5	418.9*	338.1	373.3	543.3*	365.0*	91.0	101.0	87.7	129.9
December .. c ..	..	323.7*	438.3	346.6	373.0	544.2	368.4	91.0	101.0	87.7	130.6
January 1956	..	333.4*	454.2*	353.5*	375.2	540.0*	376.0*	91.0	101.0	87.3	125.7
February .. c ..	..	335.3	461.6*	355.8	375.3*	529.1	378.4*	91.3	101.1	86.7	121.0
March .. c ..	..	351.6	475.6	369.4	374.8	508.1	387.3	90.9	101.1	85.8	122.0
April .. c ..	..	360.9	472.8	377.0	375.6	496.7	391.2	90.9	100.9	85.5	123.0
Week Ending											
7-4-1956	..	364.9	472.9	373.8	375.8	495.5	392.2	90.9	100.9	85.7	124.4
14-4-1956	..	360.9	471.0	375.1*	375.5*	496.0	390.5*	90.9	100.9	85.6	123.0
21-4-1956	..	361.3	475.4	378.4	375.8	496.5	392.1	90.9	100.9	85.4	122.4
28-4-1956	..	356.3	471.5	380.7	375.4	499.0	390.4	91.0	100.9	85.4	122.2
5-5-1956	..	353.5	469.6	380.9	374.9	499.7	388.9	91.0	100.9	85.3	122.4

†Economic Adviser's Series. ††Reserve Bank Series. *Average of weeks. *Revised.
CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS
(August 1939=100)

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100	Ahmedabad July 1927 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936 = 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	283	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	323	371	364	133	321	134	135	132
1955 June	317	333	211	123	317	347	359	131	311	131	129	130
July	324	340	224	129	325	371	364	136	316	134	134	132
August	325	341	229	134	329	375	367	137	318	136	138	134
September	317	333	224	133	327	373	367	133	322	138	137	132
October	315	331	225	134	334	385	369	134	323	139	139	134
November	314	330	229	136	339	392	369	138	327	144	141	135
December	316	332	230	140	329	393	375	143	334	148	141	135
1956 January	318	334	226	139	319	404	—	—	334	—	—	133
February	321	337	224	137	315	394	—	—	333	—	—	133
March	334	350	230	139	325	398	—	—	340	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	19-5-1956			12-5-1956			5-5-1956			28-4-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	106-7	103-5	104-15	106-12	105-1	105-14	106-10	105-1	106-2	107-0	105-10	106-5
Silver (per 100 fine tolas)	181-15	176-0	178-9	182-0	179-4	180-12	183-12	179-10	182-3	182-11	180-5	181-9

SCHEDULED BANKS

(Rs. in Lakhs)										
Period (1)	LIABILITIES			Cash (Notes + Coins) (5)	Balances with Reserve Bank (6)	(5 + 6) as percent- age of (4) (7)	Advan- ces (8)	Bills Discount- ed (9)	(8 + 9) as per- centage of (4) (10)	Invest- ments in Govt. Securities in India (11)
	Demand (2)	Time (3)	Total (2 + 3) (4)							
1938-39*	123.81	103.30	227.11	6.38	15.88	9.80	111.34	460	51.05	..
1947-48*	706.65	343.89	1,050.54	39.92	100.81	13.40	427.54	16.82	42.30	..
1948-49	674.56	303.88	978.44	37.51	76.63	11.67	424.85	16.44	45.10	..
1949-50	597.79	272.59	870.38	34.47	65.85	11.53	426.74	15.35	50.79	..
1950-51	599.13	278.45	877.59	34.68	60.78	10.88	447.03	11.87	52.29	..
1951-52	593.73	290.82	884.55	37.33	57.29	10.70	523.59	22.81	63.06	303.48
1952-53	546.23	309.26	855.49	33.33	51.82	9.95	461.64	38.47	60.48	306.34
1953-54	526.75	328.26	855.00	31.97	44.48	8.98	442.79	51.40	59.56	321.29
1954-55	559.62	351.86	911.55	32.66	53.91	9.50	468.39	84.66	62.08	339.74
Average of Fridays										
October 1955	612.82	422.95	1,035.77	33.98	59.64	9.04	484.87	105.51†	59.24	390.42
November	612.61	423.85	1,036.46	35.22	57.05	8.90	491.93	105.00†	59.79	393.43
December	613.68	422.24	1,035.92	38.93	58.38	9.39	503.02	107.60†	61.04	390.56
January 1956	638.02	411.70	1,049.72	36.06	56.92	8.94	533.75	130.85†	64.21	382.55
February	631.25	415.9	1,046.45	35.18	54.67	8.59	551.12	138.15†	66.56	378.04
March	622.44	415.29	1,037.72	34.83	48.43	8.10	589.55	144.16†	71.41	364.86
April	649.02	423.19	1,073.31	37.74	50.99	8.34	604.85	150.65†	71.04	356.65
Week Ending										
13-4-1956	653.87	423.56	1,074.43	37.20	49.53	8.15	606.11	148.69†	70.93	356.37
20-4-1956	648.31	427.77	1,076.07	37.89	50.87	8.33	601.24	151.41†	70.60	355.58
27-4-1956	645.71	422.87	1,072.99	37.56	48.80	8.12	605.01	152.76†	71.28	355.09
4-5-1956	647.89	429.60	1,067.49	36.91	49.18	8.14	611.37	151.80†	72.16	355.34
11-5-1956	632.36	431.86	1,064.22	36.05	48.60	8.00	617.07	152.12†	72.28	355.20

* Undivided India

† Including foreign bills purchased and discounted.

MONEY SUPPLY IN INDIA

(Lakhs of rupees.)						
Last Friday (1)	Money supply (2) = (3) + (4)	Total currency with the public (3)	Deposit money with the public			Total variations in money supply (7)
			Total (4)	Demand liabi- lities of banks (5)	Total deposits with Reserve Bank (exclud- ing those of central Govt. & Banks) (6)	
1952-53	1,784.55	1,199.25	585.30	548.95	36.35	- 44.30
1953-54	1,856.57	1,229.43	627.14	549.83	77.30	+ 72.02
1954-55	1,980.90	1,311.77	669.13	599.18	69.97	+ 124.33
February 1955	1,915.34	1,272.35	643.00	610.04	32.96	+ 37.61
March	1,980.90	1,311.77	669.13	599.16	69.97	+ 65.56
April	2,003.14	1,342.90	660.23	614.26	45.98	+ 22.24
May	1,989.50	1,348.41	641.09	616.96	24.12	- 13.64
June	1,988.42	1,343.74	644.67	623.43	21.24	- 108
July	1,974.91	1,324.80	650.11	619.53	30.58	- 13.51
August	1,995.61	1,314.74	680.88	632.86	48.02	+ 29.70
September	1,965.49	1,309.89	654.71	632.36	22.35	- 30.21
October	2,008.47	1,331.40	677.08	635.72	41.35	+ 43.07
November	2,014.88	1,351.24	663.64	640.40	23.24	+ 6.41
December	2,057.77	1,385.87	671.90	650.14	21.77	+ 42.89
January 1956	2,112.52*	1,405.96*	706.56*	675.66*	30.90	+ 54.75*
February	2,123.41*	1,433.70*	689.70*	662.27*	27.43	+ 10.89*
March	2,240.75*	1,499.30*	741.45*	667.41*	74.05	+ 117.34*

* Provisional.

Source: Monthly Bulletin of Reserve Bank.

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b + c)	(b + c as) Percentage of (a)	Rupee Coin	Rupee Securities	Total Assets
1948-39*	182.36	28.28	210.64	44.42	66.95	111.37	52.91	67.11	32.16	210.64
1947-48*	1,227.82	47.12	1,274.95	44.42	1,135.32	1,179.74	92.53	32.36	62.84	1,274.95
1948-49*	1,231.84	22.02	1,253.86	42.49	907.47	949.96	75.43	42.96	265.62	1,253.86
	(5.58)	(—)	(5.58)					(90)		(5.58)
1949-50*	1,128.94	24.00	1,152.94	40.02	647.04	687.06	59.59	50.53	415.36	1,152.94
1950-51*	1,163.21	17.19	1,180.40	40.02	624.70	690.36	58.51	57.21	458.47	1,180.40
1951-52*	1,189.84	27.78	1,217.62	40.02	625.27	665.29	54.64	63.98	488.36	1,217.62
1952-53*	1,114.84	27.87	1,142.72	40.02	564.40	604.02	52.89	80.22	458.08	1,142.72
1953-54*	1,133.95	23.03	1,156.97	40.02	594.02	634.04	54.80	92.83	430.11	1,156.97
1954-55*	1,197.05	22.98	1,219.17	40.02	648.90	689.31	56.47	102.25	428.61	1,360.17
Average of Fridays										
September 1955	1,290.78	23.49	1,314.27	40.02	668.82	708.04	53.93	110.51	494.93	1,314.27
October ..	1,303.25	10.97	1,315.39	40.02	632.07	672.08	51.09	110.95	531.18	1,314.22
November ..	1,327.06	14.27	1,341.33	40.02	642.08	682.09	50.85	109.38	549.84	1,341.32
December ..	1,350.04	10.13	1,360.17	40.02	662.98	703.00	50.95	108.56	548.61	1,360.17
January 1956	1,384.06	16.67	1,400.73	40.02	679.49	719.52	51.37	108.52	574.69	1,400.73
February ..	1,402.42	9.14	1,411.56	40.02	663.40	703.43	49.83	104.90	603.24	1,411.56
March ..	1,446.41	11.13	1,457.54	40.02	676.87	716.89	49.20	103.18	637.47	1,457.54
April ..	1,509.33	15.96	1,525.30	40.02	682.69	722.71	47.39	106.38	696.21	1,525.30
Week Ending										
6-4-1956 ..	1,506.69	14.78	1,521.47	40.02	686.42	726.44	47.75	106.28	688.75	1,521.47
13-4-1956 ..	1,515.98	10.05	1,526.03	40.02	681.45	721.47	47.28	105.87	698.69	1,526.03
20-4-1956 ..	1,509.65	16.67	1,526.32	40.02	681.45	721.47	47.27	106.16	698.69	1,526.32
27-4-1956 ..	1,505.01	22.35	1,527.36	40.02	681.45	721.47	47.24	107.20	698.69	1,527.36
4-5-1956 ..	1,518.51	7.18	1,518.51	40.02	681.45	721.47	47.29	105.53	698.69	1,525.69

BANKING DEPARTMENT

(Rs. Lakhs)

PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILITIES & ASSETS**	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14.90	..	16.19	75	31.84	1.28	43.12	28.38	1.53	4.21	1.72	2	6.36	90
1947-48*	366.79	16.93	102.47	34.21	520.40	14.55	544.96	47.24	2.62	406.95	1.57	21	81.53	4.85
1948-49*	222.17	6.62	80.53	56.52	393.72	15.33	419.05	22.12	4.28	307.78	1.71	3.34	75.65	4.14
	(14.33)	(3.04)									(1)			
1949-50*	141.19	23.12	67.00	64.39	295.69	15.76	321.45	24.12	4.30	280.91	3.35	8.39	960.54	4.34
1950-51*	148.60	17.71	62.22	62.29	290.82	18.14	318.97	17.31	3.04	107.70	2.37	6.77	76.72	5.06
1951-52*	181.30	15.65	58.68	69.22	325.15	18.62	353.77	27.92	6.31	187.14	5.90	19.42	95.19	11.91
1952-53*	136.40	7.79	52.89	61.93	259.02	23.69	292.71	28.03	6.64	133.56	2.85	19.03	89.77	12.83
1953-54*	105.44	23.40	46.52	57.45	232.80	23.91	266.72	23.22	9.46	123.31	1.78	19.84	81.58	7.51
1954-55*	89.13	20.66	55.20	36.29	201.28	23.62	234.90	23.24	6.10	87.53	1.14	26.55	80.52	9.82
Average of Fridays														
July 1955	76.93	17.83	50.62	19.03	164.40	32.13	206.52	29.47	9.53	69.84	88	32.44	58.34	6.02
August	87.33	20.66	51.35	20.28	179.12	30.62	219.74	26.64	9.90	86.25	1.92	25.04	62.18	7.74
September	60.36	18.28	55.51	16.91	151.06	21.26	182.32	23.63	13.68	61.57	1.02	28.64	52.13	11.65
October	50.15	23.59	61.12	15.97	150.84	25.92	186.76	11.10	9.30	72.93	76	20.52	50.24	12.17
November	54.93	14.81	58.52	15.46	143.57	29.71	183.43	14.40	7.37	80.45	2.22	24.17	50.09	12.21
December	54.13	8.44	57.88	15.97	136.01	34.76	181.17	10.25	8.11	63.93	3.97	31.67	50.49	12.76
January 1956	53.56	12.51	59.90	17.49	142.53	48.77	193.81	16.82	9.33	56.74	2.82	43.77	51.13	13.21
February	61.12	13.65	56.38	16.85	147.00	59.59	206.59	9.27	3.50	72.81	3.41	53.41	49.71	14.40
March	57.51	37.22	49.25	16.93	159.51	59.25	220.30	11.26	9.53	65.31	1.60	73.88	39.44	17.33
April	56.21	30.15	52.14	17.16	155.65	58.82	214.48	14.64	13.35	54.43	1.34	65.52	45.55	18.12
Week Ending														
6-4-1956	57.10	35.70	53.42	17.35	163.56	58.11	221.68	9.01	13.57	62.09†	1.35	64.82	46.83	18.07
13-4-1956	53.28	32.36	50.95	17.10	153.69	58.34	212.03	10.20	14.15	58.73†	1.20	63.07	46.53	18.11
20-4-1956	55.86	25.53	53.33	17.03	151.76	59.29	211.05	16.82	13.24	52.71†	1.00	64.47	44.64	18.16
27-4-1956	58.60	27.01	50.84	17.18	153.62	59.53	213.15	22.53	12.43	44.20†	1.79	69.71	44.19	18.13
4-5-1956	55.85	18.12	49.40	14.10	137.47	61.10	198.57	7.26	10.22	43.87†	1.83	76.89	40.05	18.46

JUTE STATISTICS

JUTE CROP FORECASTS (Government of India & East Bengal)					SUPPLY AND DISTRIBUTION OF JUTE 1954-55 & 1955-56			
	Prelim. Area (000) acres	Final Forecast			Supply	1954-55 lakh bales	1955-56 lakh bales	
		Area (000 acres)	Crop (000 bales)	Bales per acre				
OPENING STOCKS								
1952-53 Total	35.16	37.24	114.28	3.07	I. J. M. A. Mills godown stocks	10.89	8.68	
East Bengal	17.59	19.07	68.23	3.58	a. West Bengal Mills			
West Bengal	7.52	8.44	24.21	2.87	b. Mills outside West Bengal	0.43	0.41	
Rest of India	10.05	9.73	21.84	2.24	(estimate)	7.10R	2.60	
1953-54 Total	20.58	19.56	56.32	2.88	Indian Carry Forward (estimate)			
East Bengal	7.89	7.60	25.03	3.29	Pakistan Carry Forward	16.90R	5.10	
West Bengal	5.84	5.50	15.36	2.79	(estimate)			
Rest of India	6.85	6.46	15.93	2.46		35.32	16.77	
1954-55 Total	26.38	24.86	75.90	3.05	Indian Union Jute crop			
East Bengal	13.04	12.43	46.62	3.75	(trade estimate)	42.40R	50.50	
West Bengal	5.84	5.70	15.42	2.71				
Rest of India	7.50	6.73	13.86	2.08	Pakistan crop (Trade estimate)	47.40R	72.50	
1955-56 Total	30.59	32.16	97.29	3.03	Total Supply	125.12	139.77	
East Bengal	17.16	16.35	55.92	3.42				
West Bengal	6.36	8.00	20.16	2.51	DISTRIBUTION :-			
Rest of India	7.07	7.81	21.31	2.73	Mill Consumption :-			
					1. I. J. M. A. Mills (estimate)	58.63	61.55	
					2. Outside Mills (estimate)	2.13R	2.23	
						60.76	63.78	
					Indian Domestic Consumption			
					(estimate)	2.10R	2.00	
					Pakistan Exports Overseas			
					(estimate)	39.08	40.00	
					Pakistan Dtic Consumption			
					omes (estimate)	6.90R	7.00	
					Total Distribution	108.84	112.78	
					Carry over at end of season	16.28	26.99	

PRODUCTION OF GUNNIES

('000 Tons)

Year and Month	Hessian	Sacking	Total
July-June			
1952-53	3,47.7	5,10.4	8,91.5
1953-54	3,90.4	4,44.8	8,65.7
1954-55	3,99.2	5,57.5	9,94.8
1955 June	34.2	47.9	85.7
July	34.3	45.0	84.1
August	33.2	43.7	81.4
September	35.4	47.2	87.4
October	30.7	43.5	78.8
November	34.6	49.9	90.5
December	34.0	56.6	97.3
1956 January	30.3	52.6	88.9
February	32.0	54.7	92.8
March	34.8	57.8	99.3

(R) Revised.

WEEKLY PRICES OF JUTE AND GUNNIES AT CALCUTTA

DATE		JUTE						GUNNIES			
		Assam		Pak. Jute		First Marks for mill (Indian)		Hessian 40"10 oz. (Ready)	Sackings B. Twill (Ready)		
		Middle	Bottom	Middle	Bottom						
		Rs. per md.		Rs. per md.		Ra. per bale		Ra. per 100 yds.	Rs. per 100 bags		
1955		Ra. A.	Ra. A.	Ra. A.	Ra. A.	Ra. A.		Ra. A.	Ra. A.	Ra. A.	
5th December		29 8	26 8	31 0	28 0	175 0		40 13	114 8	114 8	
13th "		30 0	27 0	31 8	28 8	180 0		40 12	113 8	113 8	
19th "		30 12	27 12	31 8	28 8	185 0		40 5	113 4	113 4	
27th "		30 0	27 0	31 8	28 8	185 0		41 8	113 12	113 12	
1956											
3rd January		31 0	28 8	32 8	29 8	190 0		41 10	114 12	114 12	
9th "		32 8	29 8	34 0	31 0	195 0		42 4	117 0	117 0	
16th "		31 8	28 8	33 0	30 0	190 0		41 4	114 8	114 8	
24th "		32 8	29 8	35 0	32 0	200 0		40 14	113 8	113 8	
30th "		32 0	29 0	34 8	31 8	195 0		40 7	111 4	111 4	
6th February		34 0	31 0	37 0	34 0	210 0		40 12	114 4	114 4	
13th "		33 0	30 0	37 0	34 0	200 0		40 8	113 4	113 4	
20th "		33 0	30 0	36 8	33 8	200 0		40 7	114 0	114 0	
27th "		32 8	29 8	36 8	33 8	200 0		40 6	114 4	114 4	
5th March		33 8	30 8	37 0	34 0	200 0		40 12	115 12	115 12	
12th "		33 0	30 0	37 0	34 0	200 0		40 4	115 6	115 6	
19th "		32 0	29 0	36 0	33 0	200 0		39 4	111 12	111 12	
26th "		31 0	28 0	34 8	31 8	190 0		38 14	109 4	109 4	

INDIA'S BALANCE OF PAYMENTS

Current Account : Region-wise Summary

(Crores of Rupees)

All Areas	1951	1952	1953	1954	1955 (Preliminary)
Imports c.i.f.	862.4	742.6	575.1	639.5	699.7
Exports f.o.b.	749.5	649.1	536.0	547.7	653.1
Trade Balance	-114.9	-93.5	-39.1	-91.8	-46.6
Official Donations (net)	+ 1.4	+ 11.9	+ 18.4	+ 15.1	+ 12.2
Other Invisibles (net)	+ 54.1	+ 83.3	+ 79.4	+ 72.6	+ 76.0
Current Account (net)	- 57.4	+ 1.7	+ 58.7	- 4.1	+ 41.6
Sterling Area (Excluding Pakistan)					
Imports c.i.f.	301.2	270.2	286.5	311.8	343.9
Exports f.o.b.	368.3	285.9	273.6	294.0	344.2
Trade Balance	+ 67.1	+ 15.7	- 12.9	- 17.8	+ 0.3
Official Donations (net)	+ 1.4	+ 2.8	+ 1.6	+ 1.0	+ 0.1
Other Invisibles (net)	+ 60.2	+ 66.0	+ 69.3	+ 60.0	+ 55.5
Current Account (net)	+ 128.7	+ 84.5	+ 58.6	+ 43.2	+ 55.9
Pakistan					
Imports c.i.f.	79.3	27.3	14.1	12.7	- 20.1
Exports f.o.b.	26.2	57.5	7.4	11.0	- 9.8
Trade Balance	- 53.1	+ 30.2	- 6.7	- 1.7	- 10.3
Official Donations (net)	-	-	-	-	-
Other Invisibles (net)	+ 6.5	+ 9.1	+ 4.5	+ 6.4	+ 7.3
Current Account (net)	- 46.6	+ 39.3	- 2.2	+ 4.7	- 3.0
Dollar Area					
Imports c.i.f.	247.5	279.6	118.6	114.9	93.4
Exports f.o.b.	183.2	154.7	120.1	108.4	119.9
Trade Balance	- 64.3	- 124.9	+ 1.5	- 6.5	+ 26.5
Official Donations (net)	-	+ 7.6	+ 16.0	+ 14.1	+ 12.1
Other Invisibles (net)	+ 2.5	+ 61*	+ 2.1	+ 2.3	+ 6.1
Current Account (net)	- 61.8	- 111.2	+ 19.6	+ 9.9	+ 44.7
OECC Countries					
Imports c.i.f.	108.9	86.7	97.2	126.2	145.6
Exports f.o.b.	85.0	65.6	44.7	54.0	73.5
Trade Balance	- 23.9	- 21.1	- 52.5	- 72.2	- 72.1
Official Donations (net)	-	+ 1.1	+ 0.1	-	-
Other Invisibles (net)	- 1.9	- 0.1	- 1.8	- 1.6	- 2.8
Current Accounts (net)	- 25.8	- 21.0	- 54.2	- 73.8	- 74.9
Rest of Non-Sterling Area					
Imports c.i.f.	125.3	78.8	58.8	73.9	96.8
Exports f.o.b.	86.8	85.4	90.1	80.3	105.8
Trade Balance	- 38.5	+ 6.6	+ 31.3	+ 6.4	+ 9.0
Official Donations (net)	-	+ 0.4	+ 0.7	-	-
Other Invisibles (net)	- 13.3	+ 3.0	+ 5.6	+ 5.6	+ 10.0
Current Account (net)	- 51.8	+ 10.0	+ 37.6	+ 12.0	+ 19.0

* Includes Non-Monetary Gold Movement (net)—Rs. 1.0 crore.

COMPARISON OF MOVEMENT OF NATIONAL OUTPUT AT
CURRENT AND CONSTANT PRICES

	1954-55**	1953-54	1952-53	1951-52	1950-51	1949-50	1948-49
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Net output in Rs. abja*							
1. At current prices	99.1	104.9	93.2	99.7	95.3	90.1	86.5
2. At 1948-49 prices	101.7	100.4	94.6	91.0	88.5	83.2	86.5
Per capita net output in Rs.							
3. At current prices	282.1	281.0	266.4	274.0	265.2	253.9	246.9
4. At 1948-49 prices	269.0	269.0	256.6	250.1	246.3	240.6	246.9
Index number of net output with 1948-49 as base							
5. At current prices	114.6	121.3	113.5	115.3	110.2	104.2	100.0
6. At 1948-49 prices	117.6	116.1	109.4	105.2	102.3	102.0	100.0
Index number of per capita net output with 1948-49 as base							
7. At current prices	106.2	113.8	107.9	111.0	107.4	102.8	100.0
8. At 1948-49 prices	109.0	109.0	103.9	101.3	99.8	100.7	100.0

* abja=100 crores=10⁹.

** preliminary.

NET NATIONAL OUTPUT AT 1948-49 PRICES

	1954-55**	1953-54	1952-53	1951-52	1950-51	1949-50	1948-49
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Agriculture, animal husbandry and ancillary activities(a)	49.6	49.9	48.0	44.4	43.4	43.6	42.5
2. Mining, manufacturing and small enterprises	17.1	16.5	15.8	15.2	14.8	14.6	14.8
3. Commerce, transport and communications	18.7	18.3	17.9	17.3	16.6	16.4	16.0
4. Other services(b)	16.3	15.7	15.0	14.3	13.9	13.8	13.4
5. Net domestic product at factor cost	101.7	100.4	94.7	91.2	88.7	88.4	86.7
6. Net earned income from abroad	0.0	0.0	-0.1	-0.2	-0.2	-0.2	-0.2
Net national output at factor cost= national income	101.7	100.4	94.6	91.0	88.5	88.2	86.5

* abja=100 crores=10⁹.

** preliminary.

(a) Including forestry and fishery.

(b) Comprising professions and liberal arts, government services (administration), domestic service and house property.

Printed and Published by Devi Prasad Sharma at the Hindustan Times Press,
The Eastern Economist Ltd., 52, Queensway, New Delhi. Editor—E. P. W. da Costa, M.A. (Oxon.)

With a Supplement

on

INCENTIVES IN INDUSTRY

The Eastern Economist

VOL. XXVI. NO. 22.

NEW DELHI: JUNE 1, 1956.

PRICE RS. 1/8.

CONTENTS

	Page		Page
Leading Articles:		ECONOMIC REPORT FROM THE US:	
PLANNING: PAST AND PRESENT	841	Reaction of Tariff Barriers	855
FINANCE MINISTER VERSUS AUDITOR-GENERAL	843	The Business World:	
THE COAL AWARD	844	How is World Bank Mission Reacting?	857
THE WEEK'S NOTES	845	BUSINESS NOTES	859
Control Over Expenditure; The Kharagpur Incident; End the Prevarication; The French Settlements; The Algerian Dilemma; Politics in Pakistan.		Secret of Japan's Textile Offensive; Powerloom Factory or Composite Mills; Cotton Futures: Search for via Media; Outlook for Tea Exports; Regulation of Futures Trading in Castorseed; T.C. Five-Year Plan and Research on Cash Crops.	
A WINDOW ON THE WORLD:		COMPANY AFFAIRS	863
Odysseus on "A History of the USSR Since Stalin's Death"	847	COMMODITY NEWS AND NOTES	864
FRANCO MAKES HIS WILL	849	CURRENT STATISTICS	867
A LETTER TO THE EDITOR	850		
WORLDGRAM AND NEW IN BRIEF	851		

Planning: Past and Present

DURING this week planning, past and present, has been the central theme. In a powerful debate in the Lok Sabha the Finance Minister met with equal facility and not a little debating grace attacks both from the Right and the Left on the final second Plan. There is no doubt that throughout this debate the Finance Minister showed a capacity for explanation which has gone far to eliminate opposition to the Plan both in Parliament and in the country. It is seen that there are no major alternatives—and indeed objectives being fixed there are no alternatives at all—to a spacious Plan in which some risks are to be taken on resources. It is quite true that the weakest

point in the debate, both in respect of the Prime Minister's and the Finance Minister's speeches was on the large issue of resources. But no one can claim to see more than in fact is humanly possible. There is undoubtedly a serious problem ahead in regard to foreign exchange. If the World Bank does not give India a substantial loan, the whole Plan may need modification. But there is no reason why one should assume at this stage that resources will under no circumstances be available.

The progress report of the first Plan, which, unhappily, issued after the debate instead of

before it, affords chapter and verse to justify the optimism which has been entertained. The progress report incidentally provides a correct setting to the controversial figures on National Income for the year 1954-55 issued by the Central Statistical Organisation last week. The report states: "On the basis of data available so far it appears that National Income in 1954-55 has increased by another 2½ to 3 per cent and that this rising trend has been maintained in 1955-56 also. Broadly speaking, it is reasonable to expect that over the first Plan period National Income (in constant prices) would have increased by about 18 per cent, as against the target of 11 per cent. Per capita income over the same period is expected to show an increase of about 10 per cent.

It is good that an authoritative document, issued after the Central Statistical Organisation unloosed its hasty indiscretion last week, should assert that India's rate of economic progress in 1954-55 was "2½ to 3 per cent". It is this version of the case which is supported by all real production indices as has been argued in a Special Article in *The Eastern Economist* last week. But is the Finance Ministry of the Government of India or the Government of India as a whole deserving of credit for having published two conflicting estimates within one week? Is there no liaison between the Planning Commission and the Central Statistical Organisation? Cannot the Finance Minister of India who is both a member of the Planning Commission and Minister in charge of the Central Statistical Organisation, see that conflicting figures on a matter of this importance do not issue or, if they issue, that the error is immediately corrected?

The debate revealed what was already well known, that the general reactions to the Planning Commission's proposals have largely been favourable. There was overwhelming agreement on the need for a plan of the size proposed though the almost lone voice of Mr. N. C. Chatterjee feared that it was too big and beyond the present resources of the country to implement. But this was a minor discordant note which went unnoticed, largely because it has come to be realised all round that economic development at the pace contemplated is the minimum the country must undertake if the Indian experiment in democracy and in democratic planning is not to suffer in comparison with the totalitarian planning which her sprawling northern neighbour with her many more millions has launched on. This realisation did not, however, imply a blind acceptance of the targets, priorities and outlays proposed in the Plan. There was healthy scepticism of the need for a 40 per cent increase in food output when over a year's deliberations have led to the conclusion that a 15 per cent addition would suffice. It was evident from the way the Finance Minister avoided discussing this issue that a rational explanation for the basis and origin of this new target as well as the reasons for its need are still in the process of germination. Apart from this, the discussion lacked an air of purposefulness and realism since the views expressed in the two Houses are unlikely to lead to any modifications or changes in the content and structure of the Plan.

This consideration, however, did not prevent the leading spokesmen of the various parties from expressing their views on how the Plan should have been drawn up. Spokesmen of the Com-

munist Party in the two Houses wanted to know why the emphasis on heavy industry contained in the Mahalanobis Plan-Frame had been whittled down, refusing to be satisfied by the perfectly logical explanations that were offered. They also demanded to be told why the share of the private sector in industry had been increased while that of the public sector had declined. The reason for this is obvious; the Plan-Frame calculations regarding the capacity of small-scale industries to meet the increasing demand for consumer goods has been found to be over-optimistic, and since consumer goods industries have been left to the private sector, it is but natural that the amount of proposed investment in industry in this sector should register an increase. It is to be noted that only speakers belonging to the Communist Party insisted on a return to the Plan-Frame proportion of allocations, though they were also perturbed over the inadequate attention being paid to social services. Of course, they did not attempt to answer the question how the resources are to be found for all that, beyond a monotonous repetition of the usual cry for soaking the rich, and a warning to the Government of the inflationary consequences of deficit financing.

It was left to Mr. Asoka Mehta to give a healthy practical turn to the debate by boldly suggesting a curb on wage increase, which naturally he coupled with a proposal for a severe tax on profits. A curb on wage increase will help in keeping prices more or less stable, and if this is necessary, a higher rate on corporate profits is not objectionable. Only if private sources of finance dry up as a consequence Government must help to fill the bill. At any rate the more far-seeing among entrepreneurs have realised the need for re-investing in expansion as much of the profits as possible, and it is sufficient if budget policies do not discourage such profit retention for reinvestment. If contrast to Mr. Mehta, the other labour spokesmen, notably Mr. Tripathi of the INTUC and some Communist members wanted a 25 per cent rise in wages; they were properly rebuked by the Finance Minister. Is it too much to hope that more realism will be shown and concrete and helpful suggestions for facilitating the implementation of the Plan will emerge when the discussion is resumed in the next session? Surely Mr. Tripathi must recognise that if labour needs a 25 per cent rise in real income for enthusiasm, a similar plea can be urged by everyone else. In a Blue Supplement "Incentives in Industry" in this issue it is shown that organised labour only among the factors of production has recovered its pre-war position. Is Mr. Tripathi's argument that everyone else must give way to labour's intransigent demands? That way, as Mr. Asoka Mehta firmly pointed out, lies disruption of the entire Plan through inflation.

There was less than adequate attention to the problem of inflation. Curiously, the remedy to inflation and there is only one—its name is Production—was adequately dealt with by the Prime Minister. One of the most heartening things that has happened in recent years is the manner in which the Prime Minister's fine intuition comes into play when the hour of decision approaches. He has given a great lead to the country by refusing absolutely to take a sectarian or "political" view of the production problem. We must produce, or this Plan will perish; the Prime Minister said this more than once. It will bear much repetition.

Finance Minister versus Auditor-General

THE somewhat unseemly controversy—no doubt exacerbated by a strong personal equation between the Finance Minister and the Comptroller and Auditor-General—in regard to the audit of the new Life Insurance Corporation has done much to obscure the real merits of a major issue of policy. The Finance Minister's action has been made to look arbitrary and, indeed, contrary to the spirit of the Constitution which is based on the principle of the sovereignty of Parliament. In point of fact the issue is far more complicated than it looks in plain political terms. There is certainly, as the Auditor-General has contended, the issue of the ultimate responsibility of Parliament. This, however, is not the only responsibility which faces the Government in a field in which private initiative has been deliberately excluded. The Government is responsible in this matter as much to policyholders and to the country at large as it is to the legislative apparatus of the Government. To argue, therefore, that so long as responsibility to Parliament is ensured by placing audit in the hands of the Auditor-General all will be well, is to argue a purely legalistic or constitutional point. One need not emphasise the point that constitutional propriety of itself is no engine of economic progress.

There is much force in the contention which the Finance Minister presented when justifying his proposal that, for the time being at any rate, the status quo should be maintained. He said: "Where important commercial considerations are involved, like the State Bank or the Insurance Corporation, since Government officers lack experience of the work in such enterprises, Government would not like the success of these recently nationalised ventures to be jeopardised by some violent change in the system. Such institutions cannot be run without the exercise of a large measure of discretion by higher executives, and any system which makes it possible for audit to raise objections to the exercise of such discretion is bound to paralyse their working. Undertakings like the Insurance Corporation are basically different from Government's ordinary business and, until we have had some experience of their working, it seems to us to be best to maintain the status quo."

This decision, it is quite true, bypasses the Auditor-General. It is not true that it bypasses Parliament, and the Finance Minister gave an express understanding that he would associate Parliament with the new Corporation by a special Committee or otherwise. The point that seems to be relevant but which has not been raised is the capacity in which Parliament is thus to be represented. Is it as representative of the nation as shareholder, or the nation as manager? The political convention of the sovereignty of Parliament does not imply in either case that Parliament should be represented by an audit agency. And it is conceivable that political responsibility need not have any day-to-day nexus. Why, for example, is there no Parliamentary control of the Joint Water and Sewage Board in Delhi? Because the supremacy of Parliament does not include inspection and management. If the theoretical supremacy of Parliament gives the right to inspection, the Auditor-General should be everywhere.

If it is argued that wherever the nation owns shares—and as a result of the nationalisation of

insurance it holds shares in a very large number of private companies—Parliament must have the right of appointing its own auditors, then there would be a major incursion into the private sector. A logical deduction from the principle that part ownership by the State carries the right of State audit would be perverse in the case of State minority ownership; but the political sovereignty of Parliament is in no way reduced even in that case. It is a confusion to think that wherever there is a public financial interest, there must be State direction, or that this direction is a condition of sovereignty.

Is it the argument then that the Auditor-General must function in every case where a majority holding is with the State? This sounds more reasonable, but in substance again it will involve infringement on the rights of minority shareholders and is by no means a corollary from the supremacy of Parliament. The truth seems to be that the political convention by which the Auditor-General is the supreme financial representative of Parliament—as distinguished from the Government—is one which has no precise economic consequences. The Auditor-General is not a necessary link between the sovereignty of Parliament and the protection of the interests of the State. Indeed there need be no link. It is perfectly competent for Parliament to appoint any agency it chooses for this purpose; or act without a report from any source.

The decision of Parliament in this case is judged to be correct by *The Eastern Economist* on the understanding that the control of Parliament and its sovereignty can be otherwise secured. In other words, the political supremacy of Parliament is not undermined although the supremacy of its financial representative, the Auditor-General, is. This is justified by the accepted fact that Government procedures introduced into commercial ventures of this kind are unsuitable for efficient action. This applies to accounts much more than to audit. It is not a criticism of the Auditor-General in person. It is, however, quite definitely a criticism of Government methods of payment and sanctions which are notoriously slow and dilatory by any commercial standards.

While the decision of the Finance Minister is to be supported in this case, it would be futile to ignore the point that it really has placed the Government of India on the horns of a dilemma. If it is a fact that Government procedure is notoriously unsuitable to commercial transactions, how can the public sector in the new industrial corporations operate with just this kind of procedure, only slightly modified by the latitude given to corporations? The truth is that the Auditor-General is perfectly right to argue that what is sauce for the goose is sauce for the gander. If he is unfit to hold responsibility for auditing the Life Insurance Corporation he should by the same token be bypassed in the case of other public sector corporations. It is wholly illogical to draw an imaginary distinction between the Life Insurance Corporation and other commercial undertakings of the Central Government.

The Auditor-General was certainly within his rights to approach Members of Parliament to acquaint them with his views in this case; he was

certainly wrong to restrict his statement to certain Members of Parliament and to exclude the Finance Minister. On the other hand, the Finance Minister has not dealt adequately with the general application of the principles which he enunciated. It is all very well to dismiss the Auditor-General's criticism on the ground that it has been delivered "from the basement and not from the house tops". But the merits of a prin-

ciple cannot be arbitrarily circumscribed in this manner merely because of an error in presentation. The Prime Minister has thrown his authority behind the Finance Minister in this case; but surely this is a decision which is correct only on the basis that private commercial methods are better than public methods in the business field. Where does this argument lead; is not the Government hoisting itself with its own petard?

The Coal Award

THE award in the colliery disputes, announced last week, recommends a drastic overhaul of the wage structure of this basic industry which cannot fail to produce serious effects on this industry itself and in a considerable measure on the economy as well. The Tribunal has applied itself to the goal of fixing minimum wages at all levels and in addition it has superimposed conditions in vital respects. Thorough standardisation has been introduced in the wages of time-rated workers in the sense that the scheme of scales and categorization has been directed to be put on a uniform basis throughout all the States. Wages of piece-rated and daily-rated workers have been raised virtually to parity with the prevailing scales in the State collieries which have all along borne an uneconomic burden. Market collieries, in effect, have been brought within the wage-structure of State collieries for whom recurrence of losses over a period has been a matter of little consequence. This is by no means the end of the so-called rationalisation of colliery wages. A systematized scheme of grading on the basis of time-scales, it has been ordained by the Tribunal, should be introduced in the third year of the award.

A touch of irony is lent to the psychology with which the Tribunal has approached the solution of the dispute. It has felt constrained to make an apologia for its inability to go the whole way in meeting the demands made by the trade unions. The principal demand was for a minimum wage of Rs. 132 per month for the lowest category workers which comes to an annual rate of Rs. 1,584, far in excess of the annual average rate of real earnings in any organised industry with the exception of iron and steel. The Tribunal seeks to take credit for moderation in fixing minimum wages (comprising the basic wage, dearness allowance and the statutory bonus) on scales which it pronounces to be fair. In the opinion of the majority of the three-man Tribunal, the question of the capacity of the industry to pay wages suggested by it cannot be taken into account at the present stage, although it may enter into the calculations when wages are demanded by labour in excess of what the Tribunal considers minimum. This situation raises a basic issue in wage policy. Should distribution, on principles of social justice, precede production at this juncture in the Indian economy? Should a high wage policy be adopted in utter disregard of its disastrous consequences on production and employment? These posers have become common-places since the recent session of the INTUC. But the answer to them is quite clear. No ideological pursuit must be allowed to stultify the progressive achievement of higher standards of living without inroads in the volume of employment.

The significant effect of the Tribunal's suggestions is to raise the minimum wages for the lowest category of surface worker to Rs.

69-1 per month to which a surcharge of 12½ per cent is to be added when the worker is engaged in underground operations. This change at the lowest level and almost similar changes, with some variations, at the levels which account for the bulk of the colliery labour force, are of crucial importance in judging the impact of the increases on the industry. At the lowest level, the proposed increase will be of the magnitude of 40 per cent above the current wage, while the overall increase will be slightly below this percentage.

The wage-bill accounts for nearly 55 per cent of the total costs in the coal industry. More new burdens are being levied on the industry. The Indian Mines (Temporary) Regulations and the New Mines Rules, both introduced last year, impose a larger financial liability on this industry. The total increase in labour costs, therefore, cannot but be in excess of 40 per cent above the prevailing level. It directly goes to enhance the overall production costs above 22 per cent. The per unit increase will be of the order of Rs. 3 per ton. It ought to be recalled here that the revision of coal prices in 1947 assumed an average profit of Rs. 1.8 per ton. Two years later—in November 1949—coal prices were revised downwards to counter the impact of inflation which explains the depressed levels of profit in the collieries which are sound enough to earn it. The increase proposed by the Tribunal will have the most unsettling effect of wiping out the modest profit margin for the selected few, exposing the rest to the grim prospect of heavy losses.

A committee is examining the basis of the increase which it has become imperative to sanction in the current prices of coal. The whole of the 22 per cent increase in the industry's production costs necessitated in terms of the award will have to be added to the selling price if a substantial number of collieries are to be retained in production. If this is a pre-condition of maintaining coal output at last year's level of 38 million tons, it becomes by implication much more an absolute condition for inducing the private sector to adhere to its development plan whose target of additional output has been raised to 10 million tons by reason of reduction of the public sector's share to 12 million tons. The wage-price structure of collieries is not an exclusive concern of the coal industry alone. It impinges upon the whole mechanised sector of industry since hydal power constitutes a fractional source of power. In view of rail transport shortages, diversion of appreciable stocks of coal to coastal shipping will be inescapable. It means higher freight charges. The total increase to the industrial consumer will range above 30 per cent. How many industries can face up to this liability and yet stick to their expansion programmes? It is certain the only remedy is the raising of the price of coal to the full extent of the rise in labour costs.

THE WEEK'S NOTES

CONTROL OVER EXPENDITURE

NOT MANY will disagree with the conclusion drawn by the Public Accounts Committee in its report for 1955-56 that there is definitely much scope for improvement in budgeting and control over expenditure by Government departments. In the coming five years when the second Five-Year Plan will entail a steadily expanding outlay in the public sector, which will hereafter appropriate to itself a greater share of the national income, closer control over expenditure is necessary to ensure that every rupee of the tax-payer's money brings him the maximum return. The Committee is right in its observation that the propensity to overestimate expenditure persists in many departments. This naturally leads to surrenders, and where the departmental heads do not want monies voted to lapse, there is often uneconomic and wasteful expenditure.

Quite often there is a rush to expend the amounts sanctioned towards the close of the financial year, which can even cause a spurt in general prices. Where expenditure is financed to a great extent through the creation of money, as is going to be the case hereafter, the infusion of a huge amount of created money into the economy within a few weeks towards the close of the financial year can upset the economy seriously. This is only to emphasise the need not only not to overestimate expenditure but also to ensure that amounts granted are drawn upon as steadily as possible so that the deficit financing programme in any particular year need not all be wedged into a small period of time.

The Committee's statement that in its attempts to look into cases of excess expenditure over voted grants, which is one of its important functions, there is frequent inordinate delay in the Ministry or department concerned supplying the relevant information which will facilitate its work, deserves attention. It is necessary to see that the Committee is enabled to complete its work quickly and submit its report, as too delayed submission of the report will detract from its value. It is also necessary to introduce more realism into budgetary procedure and methods, as the Committee has recommended, so that the divergence between actual requirements and the amount asked for can be wiped out. Only then can the available resources be put to the best use to yield maximum advantage.

THE KHARAGPUR INCIDENT

JUST WHEN the Union Labour Minister was telling the INTUC session at Surat on May 7 last that "today the right to strike should not be claimed. We should claim the right to work", nearly 12,000 railway workshop and loco-shed employees at Kharagpur started a lightning, long strike. The strike, which was called off after 22 days, began without prior notice over the issue of classification of certain workers as skilled and unskilled and was later described as in sympathy with the stay-in strike of painters. Evidently, the strikers had no strong grievance but were led astray by interested elements. While any trivial strike in a large and vital undertaking like the railways should be discouraged when the country has embarked on an ambitious development programme, the present is to be condemned for the indiscipline and truculence that have characterised it. The strikers destroyed public property, beat and intimidated loyal workers and their families, and last week-end a mob of them pulled out the engine driver and fireman from a train, sending it crashing into a platform which, luckily being close by, saved what could have been a

major catastrophe. Surely, it is hard to conceive of a "more monstrous and more criminal action" as the Prime Minister has put it.

The Kharagpur strike is only one of a series of such strikes over some parts of the country. Whereas in a democracy, nobody can take away the right of workers to strike as a last measure for the redressal of their grievances, until a better method can be evolved, the grievances should be ventilated only in a lawful, legal and constitutional manner; the trade union movement in the country must develop along healthy lines. At Kharagpur, the strikers have acted in a highly irresponsible manner which can only bring discredit to the unions. The tendency towards violence seems to be growing as other reports of such demonstrations followed by police firing have come in from Kalka. The disquiet is spreading to other major junctions paralysing railway traffic. In the first Five-Year Plan period, industrial relations were smooth which facilitated the execution of the Plan. In the second Plan the emphasis is on industrialisation, and if the targets are to be realized, it becomes all the more imperative to maintain peace. The Government cannot but take a serious view of what is happening. In the larger interests of the country as well as in the interests of the workers, this tendency should be arrested by giving deserving punishment to all those who are to blame.

END THE PREVARICATION

THE PRIME MINISTER'S call to the various political parties in the country to state publicly and openly where they stand in regard to the use of violence has not come a moment too late. The January incidents in Bombay and elsewhere over the S.R.C. report were painful reminders that not all political parties and their so-called leaders had abjured violence as a means of achieving political ends. This recent incident at Kharagpur in which a train was set in motion after the crew were forcibly removed gave proof that violence of some sort—and once violence starts nobody knows where it will lead to—will not be repugnant to some at least of our trade unions and labour leaders belonging to a particular political affiliation. The latter incident brought into clear relief the need to make known to the people the real views of the political parties on the use of violence for securing certain objectives, since the use of violence as a means of enforcing strikes will, apart from upsetting the Plan, involve a certain amount of double-dealing on the part of opportunistic politicians and political parties, which deserves to be exposed.

It is, however, unlikely that the response to the Prime Minister's call will be favourable from the only party whose disavowal of violence is now urgently required; and, if it is favourable, it is unlikely that the assurance to keep the peace will be kept. The recent Palghat Congress of the Communist Party of India no doubt came out with qualified support for the Government's second Five-Year Plan, but one scanned the reports of its proceedings and its resolutions for a denunciation of resort to violence, only to be disappointed. Spokesmen of the party in the Lok Sabha, who spoke on the Kharagpur incident—let it be noted—cleverly evaded the issue squarely placed before them by the Prime Minister and went on to demand an enquiry into the incident. As if condemnation of violence in this particular instance and repudiation of it as a general weapon can be made dependent on such flimsy excuses as they advanced and will have to await the result of an enquiry!

THE FRENCH SETTLEMENTS

THE SIGNING of the agreement on the 'de jure' transfer of the four remaining French settlements in India by India and France marks the graceful end of French rule in India. Nineteen months ago the 'de facto' transfer was effected, after negotiations had almost broken down, because of the good sense of the French and their realisation that the continuance of these outposts in India in the face of hostility all round would serve no useful purpose. Thus did the rights of the people assert themselves. When the present agreement is ratified by the two powers concerned, the transfer would be legally complete.

In announcing the news of the signing of the agreement the Prime Minister paid a well-deserved tribute to the graciousness of French behaviour in this transfer of power. It must be mentioned that in this matter the Government of India too has been generous in the extreme. The citizens of these areas have been granted the right to opt for French or Indian citizenship, and the payment of pensions hitherto met out of the local budget and now taken over by India will not depend on the nationality of the people concerned. The conditions of service of public employees have been guaranteed as well as the continued existence and Government assistance to French-established educational and cultural institutions. French will continue to be the official language until the people decide otherwise.

The place of the former French areas in the reorganised States set-up has naturally aroused some interest. The Prime Minister has given the assurance that for the present there is to be no change. But obviously there will be no resistance if later the people of each settlement wish to merge in the State adjoining it. The example set by Chandernagore is there for future guidance. For the present, however, it is necessary to make some arrangement for the representation of these areas in Parliament. There is no doubt that the Government will soon take steps in this regard.

It is difficult on this occasion not to contrast with France's gesture Portugal's attitude with regard to her settlements. One hopes with the Prime Minister that it will soon be his privilege to announce to Parliament and the people at large that a similar agreement has been reached over Goa, Diu and Daman.

THE ALGERIAN DILEMMA

THE TRAGIC happenings in Algeria have started producing their effect on the French political scene. M. Mendes-France has already resigned from the Cabinet and this may well produce a chain reaction. The Communists, though still supporting the Government in the Assembly, have begun openly to attack its Algerian policy and if the Radical Group also decides to withdraw its support to M. Mollet, as can now be expected, the Prime Minister may be driven to lean more and more on the Right Wing. This in turn will mean more bloodshed in Algeria which is bound to precipitate a political crisis in France. Already, casualties are running high on both sides. The worst sufferers in the fray are the innocent civilians, living in villages which constantly change hands between the French and the 'rebels'. Both sides come down on the unfortunate people with heavy reprisals. In spite of reinforcements the authorities have not succeeded in breaking the nationalist concentrations. The moderate Arab opinion is rapidly disappearing and even if the French succeed in putting down the rebellion, which seems unlikely at the

present time, it would be difficult for them to find any representative Algerians to talk to.

The war in Algeria is damaging the French position in the newly independent North African States of Morocco and Tunisia also. In Tunisia, the extreme nationalists are obviously not satisfied with the settlement that the moderate Mr. Habib Bourguiba succeeded in bringing about. In certain parts fighting has again broken out. From outside his country, Salah ben Youssef, who heads the Tunisian section of the Liberation Committee of the Maghreb—the old Arab name for the outposts of Islam cut off by the Egyptian desert—is reported to have explained the flare-up in Tunisia as designed to divert French troops from Algeria and compel the French Government to call up more troops and thus possibly create a crisis in Paris. Perhaps Morocco also is dreaming of a North African Federation comprising the three parts Morocco, Tunisia and Algeria. There are reports of the Arab countries' desire to refer the Algerian question to the Security Council. In view of this uncomfortable situation the favourable reaction in France to Mr. Nehru's plan for a settlement in Algeria is understandable. The plan contains many points which should prevent any serious dislocations of the non-African sections of the population and should be acceptable to both sides. If further bloodshed is to be averted, and if France desires to retain some goodwill in North Africa, a settlement of the tangled problem should not be delayed any further.

POLITICS IN PAKISTAN

THE POLITICAL confusion in both wings of Pakistan is deepening. For the second time in the last two years, the constitutional and legislative processes have been suspended in East Pakistan. In March, 1954, the United Front, a combination of many political parties, had routed the Muslim League in the elections there, and had formed a government headed by Mr. Fazlul-Huq. Soon after, he fell into disfavour with the League Ministry at Karachi because of some of his allegedly "treasonable utterances". Two months later the Huq Ministry was dismissed and Governor's rule was enforced following strikes in some mills which resulted in widespread riots and killings. The United Front was, however, restored to power in June, 1955, and recently Mr. Huq was appointed Governor. Meanwhile, the province has been going through acute shortage of food which has generated discontent in the masses. The dismissal of the United Front Ministry in the eastern wing cannot fail to have its bearing on the League-United Front coalition at the Centre. In West Pakistan, where the Muslim League is already in the Opposition, Dr. Khan Sahib is now pressing for representation for his Republican party in the coalition at the Centre. It is not unlikely that under such strain from both wings, the coalition may crumble.

It seems the Muslim League leaders had agreed to the selection of Dr. Khan Sahib as the Chief Minister of the one-unit West Pakistan as an expedient for smooth integration. Contrary to their calculations, Dr. Khan Sahib has been consolidating his position and his party has been steadily gaining in strength from the defecting League members. Notwithstanding some of their distasteful attempts at arousing sentiments against Dr. Khan Sahib by challenging his loyalty to the country, the League leaders see only a very remote chance of dislodging the present Republican government. Continuance of this scramble for power and the consequent administrative fumbling is bound seriously to affect the successful implementation of the Five-Year Plan, draft of which was recently published. Weakened as the domestic front will be, the possibility of securing foreign aid, on which the plan depends in a large measure, will be less in the present fluid conditions.

A Window on the World

A HISTORY OF THE USSR SINCE STALIN'S DEATH

By

ODYSSEUS

A COLUMNIST'S broad approach to the problems of the day must soon become recognisable and it is therefore, probable that he is largely read by those who expect to find their pet aversions ridiculed and their fancies upheld, and that he is dismissed, unread, by those of opposite views who prefer not to see their fancies ridiculed and their aversions upheld.

A columnist is no exception to the rule that everyone is equipped with some set of principles, some theory—be it Buddhist or Christian in morals, Keynesian or Socialist in economics, Communist or democratic in politics—which satisfies him as a working explanation of the universe. The columnist, like everyone else, is bound to examine every problem in the light of his own theories. Regular frequenters of this column have long recognised our basic principles: we stand for Free Will and the responsibility of the individual as opposed to Determinism and "Historical Inevitability" (See, e.g., "The Determinist's Monther's Cat", July 29, 1955), for post-Keynesian Free Enterprise as opposed to indiscriminate Socialism (See, e.g., "Free Enterprise vs. Socialism", April 16 to July 9, 1954), for the humane, liberal, democratic approach to political relations as opposed to the despotism of totalitarian systems whether Nazi or Communist (See, e.g., "Is Democracy Possible in India?" January 23 to April 17, 1953 and "Crichel Down and You", October 29, 1954), and in international relations for the strengthening of the Commonwealth (See "The Principles of Foreign Policy", March 11 to June 24, 1955). For those who disagree, these views are naught but bias and prejudice. I suggest, however, that there is one qualification that helps to distinguish between a "view" and a "prejudice". If a writer avoids, suppresses, or distorts facts inconvenient to his theory, he is a "doctrinaire". If he faces them, and if, above all, he makes periodical attempts to re-assess his crystallised judgments against new developments, he can at least hope to be regarded as an earnest seeker after the truth who is ready to follow the argument wherever it leads.

All this is prefatory to revealing that I feel it to be time that we endeavoured to re-assess our views about Communism and our relations with the USSR in the light of any modifications in Soviet domestic and foreign policy that have occurred since the death of Josef Stalin on March 5, 1953. It is only too easy for a weekly commentator, working against time under the usual daily pressures, to reach for his long established and ready tailored judgments concerning a recurrent topic, such as the USSR, without bothering to take into account that the whole caravan has moved on since he last looked at it, and that his comments should now be classified as the exposition of a doctrine rather than an assessment of a problem that can never be static. I refuse to drift into the position of one whose views on the "B. and K. era" are based on judgments formed in the days of Stalin.

PEACEFUL CO-EXISTENCE

First, then, let us glance at the 'New View' of post-Stalinist Russia. It now seems fairly widely accepted that there has been a loosening up of the Soviet regime. With Stalin's departure, the icy blasts of a great fear are said to have yielded to the warm zephyrs of a gentler humanity wafting through the corridors of the Kremlin. A "New Look" is said to have come over

international relations. On the one hand, there has been an abandonment of Stalin's rule only to leave Soviet soil on the rarest of occasions and then only for a closed conference, like Potsdam, which might just as well have been staged in Moscow for all the contacts it gave with foreign peoples, and, on the other, there has been adopted the conference-plus-popular-tour technique that Messrs. B. and K. staged in Yugoslavia, Asia, and Britain, and therefore "peaceful co-existence" has come to stay. Support for this view is seen in Lenin's doctrine that although it is "inevitable" (that good old Historical Determinism again!) that all countries should eventually reach Socialism not all will travel to it by the same road. In other words, there seems to have arisen a general impression that the USSR has set the needle pointing to "Fair" on the international barometer and that the USA attitude of scepticism and suspicion is not merely wholly uncalled for but is the one irritant in what would otherwise be a halcyon age of peace and growing prosperity.

What in the history of the USSR since the death of Stalin justifies all this?

Under the Soviet system of censorship not more than a handful of Soviet citizens at the highest level know what happened in March 1953 when Stalin died. The Soviet man in the street still keeps his speculations to himself but we who live outside the Iron Curtain are, as we always have been, free to mull over the published facts.

The obvious successor to Stalin was Beria, head of the MVD (Ministry of Internal Affairs) and the MGB (Ministry of State Security, or police). A man in that position holds all the strings. He is responsible for law and order and can arrest anyone on any charge he likes.

WHO WAS BERIA?

Beria was a Georgian, like Stalin. A Bolshevik before the 1917 Revolution he did under cover work with Mikoyan (Yes, no other than our late visitor to Delhi). In 1921, Beria joined Lenin's Cheka, the secret police who later became the OGPU, and showed himself a ruthless executioner whenever required. In 1935, when Stalin was wading through slaughter to destroy all opposition, Beria published "The History of the Bolshevik Organisations in Transcaucasia", a lively description of Stalin's Robin Hood feats in the heroic days of the Revolution and a glowing testimonial to the deep comradeship that, Beria said, existed between Lenin and Stalin. According to Trotsky, who is a by no means entirely unreliable witness, Beria's book created "a romantic early revolutionary career for Stalin" which he had never had. What is certain is that this book assured Beria's career. Stalin made it compulsory reading for all party aspirants, and when Stalin finally liquidated his bloodstained henchman Yezhof, head of the secret police, after he had arranged for the shooting without trial of some 2,000,000 Soviet citizens in the nightmare purge years 1936, 1937 and 1938, Stalin appointed Beria to succeed the hated Yezhof. As head of the NKVD (People's Commissar for Internal Affairs), Beria organised the mass transfers of the local populations from the parts of Poland and the Baltic states occupied by the Soviets during the war and then from the vast areas of the USSR threatened by the German advances. Throughout the war, Beria

was in charge of internal security and of security in the armed forces and of all foreign intelligence services (save that of the Red Army) and of armaments and ammunition. As a member of the Defence Committee he organised the vast transfer of industry to safety beyond the Ural mountains. After the war, Beria was put in charge of the USSR's atomic development and was remarkably successful both in building up the USSR's atomic power and in extracting American and British atomic secrets.

At the time of Stalin's death, Malenkov was head of the Communist Party, Bulganin of the Army (he is not a soldier but a Party political supervisory appointee), Molotov of Foreign Policy, and Beria of Internal Affairs and Police services. Of these men, Beria was the most powerful.

One month after Stalin's death, Beria publicly disgraced the head of his secret police section by alleging that "impermissible" methods had been used to extract confessions from the doctors arrested before Stalin's death and charged with plotting the death of members of the Politburo. Beria set the doctors free and reprimanded their accusers. Why? There was nothing new in all this. It was in accordance with established Soviet precedent. It had been Stalin's technique to entrust his liquidations to his police chief and when the lists had been exhausted and he judged that the moment had come to end, for the time being, the blood bath, he sought to divert from himself and on to his police chief the fear and hatred that the terror had aroused. Years before, Beria's predecessor, Yezhov, had been appointed to herald a new era of good will after his predecessor, Yagoda, had been liquidated following a prolonged career of blood letting. In turn, when Yezhov was liquidated, Beria was publicised as Stalin's new, and nicely moderate, broom. So now, Beria doubtless sought to divert some of the

odium of his name by denouncing a subordinate and appearing to inaugurate a new regime.

As the instrument of Stalin's terror for 15 years and as the head of the Ministry of the Interior and of the Police, Beria must have been feared and distrusted by Malenkov and Bulganin. He was obviously too powerful and the precedents of Soviet history all pointed to another dictatorship of terror in due course. Bulganin and Malenkov joined hands with Krushchev to oust Beria. He was arrested in June, 1953. He was too dangerous to live. The usual fantastic charges of being an agent of the British and American Intelligence Services, and of plotting to restore Capitalism, were made against him and he was executed from the death cell in which he had placed so many, which Yezhov had occupied before him and Yagoda before both of them. Beria's liquidators appointed in his place one Kruglov, a modest police officer who, because he has no political talent or position, may be the first Soviet police chief to die in his bed.

The struggle for the succession was not over. Krushchev threw out Malenkov but the men who had trembled through 30 years of Stalin's terror had no wish to repeat the experience, and they had the sense to grasp that the balance of power theory offers prospects of stability not merely in international but also in personal relations, because if everyone agrees that nobody shall be allowed to become too powerful then the arts of persuasion and canvassing come into their own. Assassination ceases to be an essential preliminary to gain office and all concerned may sleep peacefully without fear of the dreaded dawn visit from the secret police.

I concede that the end of the Terror, at any rate at the top level, in the USSR makes for a certain easing of the internal tension. Whether it makes for any substantial modification (a) of the regime and (b) of relations with foreign powers are questions that I reserve for future discussion.

THE RAMAYANA OF TULSIDAS IN ENGLISH VERSE

LATEST "HINDUSTAN TIMES" PUBLICATION

The famous Hindi epic regarded by many as "the greatest book in all devotional literature" is for the first time now available in English verse.

The translator, the Rev. A. G. Atkins, completed the book after ten years of devoted work. He has tried "to keep and express in English in the fine rhythm and music of the original in simple lucid language, and with as much of the vivacity, wittiness and picturesqueness that Tulsidas has put into his work." He has also followed in some measure Tulsidas's metrical variations such as *chhand*, *chaupal*, *doha* and *seratha*.

In a foreword Mr C. Rajagopalachari says: "Mr Atkins' monumental work and his Introduction are a revelation of hope for those who desire to see all the great religions of mankind come together. . . . His service is not only to English-speaking people but also to that very large number of Hindus in India who do not speak the Hindi language and to whom English has become a very familiar medium."

The book is of special value to libraries, scholars and devotees of Tulsidas.

It has been issued in the following four editions:

- I. Original text of Tulsidas with translation in English verse; three volumes; 1468 pages; price Rs. 50 net.
- II. Translation in English verse; without Hindi text, two volume; 898 pages; price Rs. 40 net.
- III. Special tissue paper edition of I, one volume, price Rs. 100 net.
- IV. Special tissue paper edition of II, one volume, price Rs. 100 net.

POSTAGE EXTRA

The Manager,

THE HINDUSTAN TIMES,
NEW DELHI.

FRANCO MAKES HIS WILL

FROM OUR SPECIAL WESTERN EUROPEAN CORRESPONDENT

MADRID, May 27.

SEVENTEEN years of dictatorship and nothing to show for it. That, in a phrase, is Franco's Spain. Literally nothing to show for it, not even the grandiose sports arenas that still testify in Berlin and Rome to the megalomania of other dictators. Under Franco, Spain has merely become older, wearier, shabbier, more confused and more divided. Yes, even more divided; the veneer of monolithic unity is the merest tissue, and under it all the old hatreds simmer as they have for a hundred years. This fact is the most striking witness to Franco's incompetence; wherever else dictators fail, they can usually claim with some plausibility to have bludgeoned the nation into an appearance of unity, if only by annihilating non-conformists. But Franco, who justifies his regime precisely as a barrier against dissension and disunity, has not only failed to resolve old differences, but has seen dissension break out in the very props of his state: in the Falange and in the Church. This has become quite obvious this year, just when Franco, at the age of 64, is seriously making arrangements for the succession.

On paper, the terms of the succession are already decided: Spain is a monarchy without a king but she will have a king when the "Regent" (i.e. Franco himself) dies. Until July 1947 Franco was merely Head of the State, Head of the Government, Head of the Legislature, Generalissimo, Commander-in-Chief of the Armed Forces, Head of the Falange, invested with all legislative, executive and judiciary powers and "responsible for his acts only before God and History." This modest situation being judged insufficient, he was made Regent by a farce of a referendum in which 14 out of 15 million voters approved a paper monarchy and appointed Franco uncrowned king. In theory, the pretender Don Carlos will ascend the throne on Franco's death, though how many of the above-listed powers will go with the throne is not yet known.

So the make-believe of a kingless monarchy really settles nothing, and all the political forces in the country are now jockeying for position to determine what form the successor state will take. In this jockeying, deep divisions have been revealed in the ranks of Franco's own supporters, of which by far the most important concern the Catholic Church because the Church has become the strongest political power in the land and yet is also the most divided within itself. But before we look at the issues involved in this dispute it is necessary to make clear that the present dissension does not in any way threaten Franco's own position. Quite the contrary, as long as the disputants disagree about what form of government should succeed Franco, the one point they all agree on is that Franco should remain in complete power. No one can afford to dispense with Franco yet, because no one is quite sure who has the upper hand. Whatever reports of trouble come from Spain, one must guard against accepting the interpretation that Spanish exiles put on them, namely that Franco's position is weakening. It is a safe guess that Franco will die quietly in bed, undisputed master of Spain.

Another point that almost every Spaniard over the age of 35 would agree on is that the succession is not worth fighting about. No one wants a civil war and no one is willing to do anything that might entail the risk of a civil war. Those who remember the years

1936-39 will readily enough understand why Spaniards should feel this way, when the peoples of Spanish stock in Latin America evidently do not. The point is important because, in spite of Franco's immense secret police force, there still exist in Spain several million anarchists and Communists. Though unrepentently hostile to the regime, these people are unlikely to regard rebellion or direct action as possible means to a new polity. Indeed among the Spanish working classes disinterest in politics has reached a stage unfamiliar in her history. Football and bullfights absorb more of the attention of the young men than political considerations. In Valencia the newspaper with the largest circulation is devoted entirely to sport.

The struggle for the post-Franco dispensation is, therefore, carried on at quite a different level, among the priests and politicians who acknowledge allegiance to Franco. When they permit themselves critical remarks about the regime—and such remarks are surprisingly common—they mostly mean that their opponents seem to be enjoying too much favour. Thus when a Cardinal earlier this month announced the curious discovery that the Spanish Church "has always been opposed to the totalitarian system", he did not mean that he was opposed to Franco but simply that among Franco's possible successors he was backing a party whose views were more liberal than their opponents'. And when Senor Gil Robles defended the Madrid students in court a few weeks ago by denouncing the "deification of the State" he did not aim this shaft at Franco but at an extreme right-wing Catholic party which hopes to take over from the Caudillo by introducing an authoritarian theocracy. Franco himself allows, and even half encourages, this political frankness from time to time although he could stop it at will. This is because he knows that he is not being criticised personally and because he is like a man playing chess, tentatively moving forward first this piece and then that to see what the reaction will be. So it is difficult to say in Spain who is using whom: the pretenders to power are using Franco to stave off their opponents until they feel sure enough to step forward, and Franco is using each pretender in turn to judge what dispensation he should finally bless before he quits the stage.

The worst sufferer from dissension is the Falange—which incidentally no longer exists; it changed its name to the Movimiento when its former friends Hitler and Mussolini were eclipsed, but it is the same horse under different colours. Franco's total inability to deal with any of Spain's economic or social problems and the failure of his various foreign policies produced profound disillusion in its ranks. It is now split by a revivalist group of young extremists who hope to restore the crusading fervour the movement had when it was founded by Jose Antonio Primo de Rivera. I say it is the worst sufferer from dissension not because the ideological split is deepest within its ranks but because disagreement has severely limited its political efficacy. Neither the Falange nor any group within it can hope to inherit all of Franco's power and could only aspire to dominance in alliance with a section of the army or a section of the clergy.

The ideological split is deepest within the Church, including in that institution not only the priests but the parallel lay movements like Catholic Action and the Opus Dei. The two extremes here are the parties that favour a constitutional Christian democracy and those that favour an authoritarian state. Roughly one might say that the more liberal group wants to turn

Spain into a state similar to de Gasperi's Christian democracy in Italy or Dr. Adenauer's regime in West Germany, while the authoritarian section favour a more rigid polity modelled in Dr. Salazar's regime in Portugal. A powerful section of the clergy, including several cardinals, the Catholic Action movement and most of the Jesuits belong to the liberal wing. The Order of the Holy Cross and its lay movement Opus Dei favour the authoritarian solution, and this section now controls the universities and the teaching profession; it is ultra-clerical, thoroughly reactionary, operates by means of secret cliques which recall nothing so much as underground Communist cells, and contains at least a small number of men who dream of Spain leading a new

Counter-Reformation in which a new Spanish Inquisition will bring all European liberals and Communists to book.

If none of these groups can take over all of Franco's powers, it is not unlikely that the Army will step in peacefully to run a "transition" regime. This in turn will settle nothing. The Army would simply find itself in the same position as the Caudillo today: holding the fort while behind the scenes the real political forces struggle to decide whether Spain is at last going to join Europe and the Twentieth Century, or whether she is going to go on living in the dream-world of past glories when Spain was rich and heretics were burned.

A Letter to the Editor

HIGH WAGES AND UNEMPLOYMENT

Sir,

In the issue of your esteemed journal dated May 11, 1956, there is a leading article which is an attack on Shri Kandubhai Desai and Shri Gulzarilal Nanda, Ministers in the Central Cabinet. It tries to poke fun at the advocacy of Ambar Charkha and contends that the demand for higher wages in industry and advocacy of Ambar Charkha are self-contradictory; it rather tries to confuse the issue by posing the question in that way and is obviously guided by political motive. The question is answered by the famous conversation of the employer and the worker in a modern rationalised automobile factory in the United States. The employer after taking the worker leader through the rationalised factory said, "Now friend, where will you collect your Union dues from? I have so automatised my factory that there are hardly any workers left". The worker leader replied, "I am not worried as to where I will collect my dues from. But I am worried as to where you will sell your cars because for lack of wages, there will be no purchasing power which might buy your cars".

The problem of India is that the employers have highly rationalized industry and, therefore, they should pay wages at the rate paid in Europe whereas they are paying now wages at the rate prevalent in India. So they have too much profits and people have too little purchasing power. So they cannot sell in India and try to export. As export markets get constricted due to emergence of Independence and national economic policies of different countries, the necessity arises to expand the home market. The home market can be expanded only by raising the wages of workers employed in organized industries to the levels prevalent in Europe. Higher wages, therefore, have to be advocated where too high profits are occurring. Some unenlightened employers do not understand this and feel that higher wages come out of their pockets. Actually they come out of the consumers in the long run, who are in their turn benefitted by the higher economic activity generated. Luckily enlightened employers in India have begun to understand this and, therefore, in the last meeting of the Labour Panel of the Planning Commission, they agreed that workers should be given higher dynamic wage in terms of increasing productivity and studies should be made to give higher wages if the present productivity can bear. The wage index is 102. The productivity index is 113. Obviously, therefore, there is a case for increase in wages even at the present productivity.

With regard to Ambar Charkha, luckily enlightened employers have begun to realise that masses of the new countries coming into independence will have to

seek expansion of internal market rather than look abroad. For that purpose, they are forced to think in terms of expanding purchasing power internally. Ambar Charkha is merely a method to distribute purchasing power for the country-side where at present workers are without employment or only part-time employed. The result of Ambar Charkha will be that the purchasing power of the country-side will expand and this will go to the benefit of the textile industry itself. It will find an expanding home market when its foreign market is contracted. But some misguided interests continue to be misguided. God alone can help them.

Yours faithfully,
K. P. TRIPATHI, M.P.,
General Secretary,
I.N.T.U.C.

DELHI,
May 23, 1956.

[We are happy to publish this letter, but fail to see that Mr. Tripathi has answered the charge contained in the Leading Article in question. Whatever Trade Unionist may say in justification of their stand, the fact remains that, to the extent that they insist on an artificial rigid wage in organised industry, they are adding to unemployment. An unemployment policy in the name of the Ambar Charkha cannot conceal this fact.—Ed.]

THE EASTERN ECONOMIST

(Subscription Rates)

		Payable in advance	
		India Rs.	Foreign Rs.
Annual	.. .. .	50	66
Half-yearly	.. .. .	25	33

Copies delivered by air in Bombay, Calcutta and Madras at an extra cost of Rs. 9/- per year.

Foreign air rates on application. Offices in New York, London and Tokyo.

The Manager,
THE EASTERN ECONOMIST LTD.,
52, Queensway
NEW DELHI

WORLDGRAM

AGRICULTURE

Scheme for Free Soil Testing Service: A free soil testing service financed by the Centre is proposed to be started in Uttar Pradesh. Under T.C.M. Project on Soil Fertility and Fertilizer use, the Government of India is setting up a number of Soil Testing Laboratories throughout India, out of which one would be located at Kanpur (U.P.) No charges for testing would be levied from cultivators for the duration of the Scheme. The main feature of the scheme, would be to collect soil samples from farmers' fields to analyse them in these laboratories and then to make practical recommendations regarding requirement of fertilizer for increasing the crop yields. The Scheme is likely to be implemented soon and cover other States also. It is likely to cost about Rs. 28 lakhs, he said.

Development of Improved Wheat Varieties: A new "700 series" of improved wheat varieties, embodying a high degree of tolerance or resistance to wheat diseases, has recently been developed at the Indian Agricultural Research Institute, Pusa, under the Union Ministry of Food and Agriculture. The outstanding features of these varieties, four in number, are their tolerance of rust attack and high resistance to loose smut. The first in these wheat varieties is named "New Pusa 710". It has shown good results in Saurashtra, Madhya Bharat, Uttar Pradesh and West Bengal. Wheat varieties, "New Pusa 718" and "761", are particularly suited to Delhi and Rajasthan, and Bihar and Orissa respectively, where they have attained popularity. Three other varieties in the "700 series"—"797", "798" and "799"—which have shown a good deal of resistance to brown and black rust, are undergoing large-scale field tests.

INDUSTRY

Drilling Rigs for Oil Prospecting: An agreement for the purchase of two oil drilling rigs (complete with spares, tools and accessories for one year's working) at a cost of Rs. 74 lakhs has been signed, between the Governments of India and USSR. The agreement provides for free erection of the drills at the site by the Soviet Government. A team of Soviet experts—22 per each drilling rig—will also arrive in India under the agreement to operate the drills and train Indian personnel for a minimum period of six months at a cost of Rs. 5½ lakhs per drill. In addition, the **Machino-export** will supply a seismic equipment together with two shot hole drilling which will be used for seismic prospecting in the Punjab and Rajasthan. The first oil drilling rig with necessary tools, spares and accessories will arrive in India in November, 1956, and the second rig by the end of the year.

Production of Automobiles: Production of automobiles totalled 2,623 in February 1956 compared with 2,302 in the previous month. Average monthly output during 1955, a record year for the industry was, 1924 vehicles. The increase in production in February this year took place despite a reduction in installed capacity from 4,333 vehicles in 1955 to 3,600 from the beginning of the current year. The improvement is attributed to the rising demand for automobiles in the country. Although production in 1955 was higher at 23,004 vehicles against 14,460 in the previous year, stocks with manufacturers declined from 1,685 at the beginning of last year to 1,288 at the close.

Additional Coal Production in India: The Government of India have decided that out of the additional production of 22 million tons of coal per annum to be achieved by 1960-61, the public sector will raise 12 million tons and the private sector 10 million tons. Of the additional production in the public sector, 2 million tons will come from existing working—0.5 million tons from existing Central Government collieries and 1.5 million tons from Singareni, Collieries in Hyderabad State. Korba coalfields are expected to produce 4 million tons of coal during the period. The areas in Bihar and Central India from which the remaining 6 million tons will be obtained have been decided only broadly and particulars, including specific allocations for each area, are being determined.

New Moisture Proofing Compositions: A new moisture proofing composition has been developed at the Technical Development Establishment (Labs), Kanpur. The compositions are used for preventing ingress of moisture in metal stores. India's present requirements are mostly met by imports. The composition developed at the Kanpur Laboratories has been found to possess all the desirable features of a good moisture proofing composition. It has also been found to be better than the imported material in respect of impermeability to moisture vapour. It can be conveniently applied to cartoons and other packages wrapped in paper, cloth or hessian. The manufacturing process, which is covered by Indian Patent No. 47272, is simple and the equipment required can be easily fabricated.

TRADE

UK Exports to North America: British exports to North America reached a new high level of nearly £34,000,000 in April. The figures show that the United Kingdom's visible trade deficit in April was at £57,300,000. No significant change in the underlying trends of overseas trade can, however, be discerned from the fact that this was rather higher. The increase was due chiefly to the effect of the short working month of 24 days on the value of exports, while imports were slightly lower than in March. In the first four months of 1956, the average monthly deficit of £56,000,000 was £16,000,000 less than the rate for 1955 as a whole, though £6,000,000 higher than in 1954. The value of United Kingdom exports in April was £256,400,000, as shown in the provisional figures—only £15,000,000 less than the record figure for March, which had two more working days, and less than one per cent below the monthly average for the first quarter. April maintained the gain of 4½ per cent over the corresponding period of 1955 which had been shown in the first quarter.

Trade Agreement between USA and France: The American Government has recently ratified an agreement between the organisation of American Cotton producers and the Syndicate General of the French Cotton Industry in order to promote the sale of cotton in the French market. According to this agreement which was concluded for a two-year period, American producer will put at the disposal French industrialists the amount of 85 million Francs. The French Syndicate will have to double this amount in adding an equivalent sum.

Britain's Footwear Exports: Britain last year sent 7,900,000 pairs of boots and shoes to 128 countries and

territories, thus maintaining her position as the world's largest exporter of footwear. According to the annual report of the British Footwear Manufacturers' Federation, these exports were valued at £9,000,000—8 per cent higher than in 1954. An extra 200,000 pairs were sent during 1955 to the USA and Canada, where earnings expanded by \$350,000 to \$6,730,000.

*

Indo-Ceylon Trade: India's foreign trade with Ceylon during December, 1955, amounted to Rs. 28.9 million as compared to Rs. 40 million in October, 1955. The main causes of decrease in India's trade with Ceylon are (1) stoppage of import of red onions into Ceylon and (2) the lower intake of eggs and chillies, beedies, bonemeal, cement and textile goods by Ceylon. On the other hand Ceylon's exports also fell by value in view of reduced intake of Copra and arecanuts by India.

FINANCE

Subsidised Industrial Housing Scheme: Loans and subsidies totalling Rs. 55,10,640 were sanctioned by the Government of India during March, 1956, for the construction of 1,376 tenements under the Subsidised Industrial Housing Scheme. In addition, a sum of Rs. 12,50,000 was advanced to Bihar for financing the State Government's Industrial Housing Scheme. Out of the sum of Rs. 55,10,640, the Government of Punjab will get Rs. 6,98,000 as loan and an equal amount as subsidy. The Government of Saurashtra will receive Rs. 23,28,260. Bhopal State has been sanctioned Rs. 6,98,000, as loan and an equal amount as subsidy. For building 50 double-room tenements at Darrang in Assam, Messrs. Panbari Tea Co., Ltd., Tezpur, Assam, will get Rs. 62,625 as a loan and Rs. 41,750 as subsidy. Messrs. East India Distilleries and Sugar Factory Ltd., Madras, will be given Rs. 32,565 as loan and Rs. 21,710 as subsidy for constructing 26 double-room tenements at Nellikuppam in South Arcot District, Madras State.

*

Low Income Group Housing Loans: The Government of India, during March, 1956, disbursed a sum of Rs. 187.98 lakhs as loans to 12 State Governments under the Low Income Group Housing Scheme. This brings the total payment so far made under the Scheme to Rs. 1105.61 lakhs against a loan allocation of Rs. 2153.2 lakhs. The following are the disbursements made during the month to various State Governments: Madhya Pradesh Rs. 50 lakhs; Bombay Rs. 27 lakhs; Delhi Rs. 25 lakhs; Rajasthan Rs. 20 lakhs; Mysore Rs. 18 lakhs; Punjab Rs. 10 lakhs; Hyderabad Rs. 10 lakhs; Andhra Rs. 10 lakhs; Madras Rs. 10 lakhs; Bihar Rs. 3.66 lakhs; Orissa Rs. 3 lakhs and Assam Rs. 1.32 lakhs.

*

Import of Silver Coins from Tibet: The Government of India recently issued a Press Note announcing their policy to facilitate Indo-Tibetan trade by licensing freely the import from Tibet, of any silver coin which is current in the Tibet region of China. They also incidentally announced in the same Press Note the raising of the import duty on such silver coin from 4-1/5 annas to 8-2/5 annas per ounce. Intending importers are advised to produce such silver coin (other than current coin of the Government of India) and other dutiable articles brought into India from Tibet, at the office of the Assistant Collector of Central Excise, Kalimpong, for payment of customs duty along with (in the case of silver coin) the licences issued by

the Reserve Bank of India or the Political Officer in Sikkim and get the licences endorsed by the Land Custom Officer after payment of the customs duty.

*

Increase in 1954-55 National Income: The national income of India for 1954-55 showed a very slight increase over the 1953-54 figures on the basis of 1948-49 prices at current prices. The corresponding figures, however, showed a decrease in 1954-55 as compared with 1953-54. The national income at 1948-49 prices was Rs. 10,170 crores in 1954-55 as compared with 1953-54. The national income at 1948-49 prices was Rs. 10,170 crores in 1954-55 as compared with Rs. 10,040 crores in 1953-54 and Rs. 9,460 crores in 1952-53. Corresponding figures at current prices are Rs. 9,910 crores. Rs. 10,490 crores and Rs. 9,320 crores respectively. The per capita income at 1948 prices worked out to Rs. 269 in 1954-55 and 1953-54 as against Rs. 256.6 in 1952-53 and Rs. 246.9 in 1948-49, showing a general increase. Expressed at the 1948-49 prices, there is a small rise in the national income between 1953-54 and 1954-55. The rise, however, is so small that the per capita income for both years at these prices were placed at Rs. 269.

*

Saurashtra Sales Tax Amendment Bill: The President has given his assent to the Saurashtra Sales Tax (Amendment) Bill, 1956. Under the existing provisions of the Saurashtra Sales Tax Ordinance, 1950, registered dealers who are manufacturing or processing tax free goods for sale are allowed to purchase a number of taxable raw materials without payment of tax, on the strength of their registrations. This privilege is being misused, to the detriment of other dealers in such taxable raw materials. The present Bill makes a provision to guard against such misuse. A provision has also been included to enable the Commissioner for Sales Tax to assess according to his best judgment the amount of tax due from dealers who have not been maintaining proper accounts. The Bill also clarifies what types of handloom cloth and matches are exempt from tax and rectifies certain errors and omissions in the original Ordinance.

GENERAL

Accumulations in Coal Mines Provident Fund: The Government of India have decided in consultation with the Board of Trustees of the Coal Mines Provident Fund to grant 3½ per cent interest to the subscribers on their accumulations in the Fund during 1956-57. The Coal Mines Provident Fund and Bonus Schemes Act was passed in 1948. The Act empowers the Central and State Governments to frame Provident Fund and Bonus Schemes for employees in coal mines. It applies to all coal mines in the States of Bihar, West Bengal, Madhya Pradesh, Vindhya Pradesh, Assam, Orissa and Hyderabad. More than three lakh employees are members of the Fund. Accumulations in the Fund till December, 1955, amounted to Rs. 5.6 crores.

*

Aid to India: The US International Co-operation Administration has announced new authorizations totalling \$420,000 for the purchase of nitrogenous fertilizer and plant test kits for fertilizer demonstration projects in India. The procurement of the fertilizer and equipment will be carried out through the emergency procurement service of the US general services administration. The authorization of money was made through provisions of US, Indian aid programmes already in effect.

NEWS IN BRIEF

INDIAN

The quasi-medical consumption of opium in India has steadily fallen—from about 160 tons in 1948-49 to approximately 90 tons in 1953-54—under a ten-year plan for its abolition adopted by the Indian Government.

*

According to the Reserve Bank's latest survey of India's Foreign Liabilities and Assets, there were 420 branches of firms and companies operating in India and 565 companies owned by foreigners as on December 31, 1953.

*

The Government of India proposes to appoint a number of valuers for agricultural lands under the Estate Duty Act 1953. They will be known as "Specialists in Agriculture and Farm Valuation."

*

Tentatively, January 1, 1958, has been fixed for the introduction of the metric system of weights and measure in certain sectors.

*

It is reported there is a reserve of 18 million tons of oil in the Assam Oilfields which are being worked out by the Assam Oil Company.

*

A food factory capable of producing 5,000 tons of cheap but concentrated protein food daily will shortly be set up in Mysore.

*

The Government of India have decided to join the new International Wheat Agreement for a period of 3 years commencing from August.

*

The World Bank is expected to complete negotiations before the end of June on its biggest ever loan to an Asian country—about \$70 million to \$75 million for the Tata Iron and Steel Company of India. The firm plans to expand ingot production from 1,300,000 tons to about 2,000,000 tons a year and also increase finished steel production.

*

Seventeen new schools were opened during 1955-56 for training in co-operative methods under the integrated training programme.

*

The Government of India have sanctioned Rs. 60.69 lakhs to the State Governments under the village Road Development Co-operative Scheme. Of this, Rs. 46.53 lakhs have been already disbursed.

*

India exported anti-snake venom serum to nine countries—Burma, Ceylon, Iran, Malaya, Nigeria, Nepal, Saudi Arabia, Thailand and the U.S.A.—during the last year. The value of the exports was about Rs. 60,650.

*

UNICEF has allotted a sum of \$10,559,509 to India as assistance since 1952.

*

Twelve institutions were visited by the delegates to the Ninth Congress of the International Society of Sugarcane Technologists held recently in India. The delegates also visited 10 sugar factories and the sugarcane farms attached to them.

FOREIGN

It is reported the steel industry in West Germany plans to extend capacity by 35 per cent—that is, to 29 million tons per year—by 1960.

*

It is reported between \$3,000 and \$3,300 million were invested in the coal and steel industries of the European Coal and Steel Community in the three years 1953-55.

*

U.S. newsprint consumption for April and the first four months of 1956 was a record. Total estimated consumption for the month was 607,603 tons compared with 568,142 tons for April 1955, and for the first four months 2,247,262 tons.

*

With Government backing, Japanese industrialists are planning an independent, all-Japan policy of trade expansion in South-East Asian markets, supported by technical aid and offers of co-operative "partnership" with South-East Asian interests.

*

A "living catalogue" of what is needed in the field of technical appliances for the propagation, lumbering and protection of the forest was shown at the recent International Forest Exhibition on the premises of the St. Erik's Fair in Stockholm.

*

There would be 100 Constituencies in Nepal for its first general election scheduled for October next year.

*

Overseas visitors to the U.K. numbered 1,037,000 in 1955, a rise of 15 per cent over 1954 and more than twice the number who came in the peak pre-war year, 1937. Estimated receipts from tourists, according to a Board of Trade analysis, were £111 million, or 16 per cent greater than in 1954.

*

The New Zealand Reserve Bank has announced a further increase in the demand liability reserve ratio of the trading banks from 20 per cent to 24 per cent. The ratio of time liabilities remains at 3 per cent.

*

Agreement has been reached on the establishment of a new multilateral trade and payments system between Argentina and Britain, on the lines of that already operating with Brazil.

*

West German output of motor cars was 89,680 in April against 91,800 the previous month. Production in the first four months. Production in the first four months of this year was 357,880 compared with 281,480 in the corresponding period last year. It included 304,863 passenger cars, against 233,432 in the first four months of 1955.

*

It is reported crude oil production of the Peruvian Subsidiary of Lobitos oilfields increased by 6.6 per cent during 1955 to the record level of 522,719 tons.

*

The Soviet Union has ratified International Labour Organisation's 1951 Convention on equal pay for equal work by men and women. The USSR was the eleventh country to accept the convention, which came into force on May 23, 1953. The other ten are: Austria, Belgium, Bulgaria, Cuba, the Dominican Republic, France, Mexico, the Philippines, Poland and Yugoslavia.

Economic Report from the U.S.

REACTION OF TRADE BARRIERS

(BY GUY SIMS FITCH)

WASHINGTON, May 29.—A highly successful round of multilateral tariff negotiations was concluded in Geneva last week under the auspices of the 35-Nation General Agreement on Tariffs and Trade (GATT). The United States and 21 of its GATT partners entered into some 50 inter-governmental contracts for the stabilization or reduction of tariff barriers. Among those joining in the GATT talks were nations from every part of the world—except the Communist orbit. Not a single Communist country was present, or has ever participated effectively in any GATT arrangement. This Communist unwillingness to operate in enlarging world trade comes as a jarring note in the midst of Moscow's current propaganda about its desire to step up Soviet trade with non-Communist lands.

True, the past few years have seen some increase in this so-called "East-West" trade. But the increase has hardly kept pace with the continuing growth of international trade among the free nations. The Soviet bloc's share still amounts to less than 3 per cent of total world trade. Communists like to blame the co-ordinated export controls of the free nations for the low level of East-West trade. But these controls have been in existence for only seven years—and the Soviet Union's share of world trade was declining long before that.

The fact is that the Soviet Union has long aimed at creating within its orbit an authentic trading system. Countries dominated by the Soviet do more than 80 per cent of their business with the USSR, compared with less than 10 per cent before world war. The free nations' export controls cover only a limited number of strategic—potentially war-marking—items and never have been a barrier to the flow of peaceful commerce. The fly in the ointment is that these strategic goods seem to be precisely the items the Soviet Union wants to obtain. Moreover, few business men want to give up commercial relationships of long standing in favour of new trade arrangements with Communist countries whose reliability as trading partners has long been open to question and who conduct all their trading activities under a strict state-controlled monopoly. This hesitancy is underscored by the fact that the Soviet Union adheres to none of the international agreements relating to patent protection.

Aside from strategic-materials needs or propaganda motivations, the Soviet Union's resurgent interest in international trade can be traced to its current economic difficulties. Only recently, for instance, the Moscow newspaper 'Pravda' admitted that "labour productivity is about 2.5 times higher in the USA than in the USSR." This perhaps accounts for the present Soviet interest in the latest products of Western technical skill by a nation that has stressed heavy industry at the expense of consumer goods and farm production. This emphasis on heavy industry, coupled with its failings in agriculture, means that the Soviet Union cannot offer to trade the farm products that have in

the past loomed large in its trade with the rest of the world. Instead, it is actually importing agricultural products and offering in exchange some manufactured and capital goods not in particular demand in the United States and other industrialized countries.

These are some of the things which recommend caution to business men who take a realistic look at trade possibilities with the Soviet bloc. That Western business men want to step up their trade with the Communist countries is shown in the larger number of applications they have been making for licences to export goods to Soviet bloc destinations. And the US Government has revised its licensing procedures to ease trade in peaceful goods with the Soviet Union and its East European satellites. But whether any large-scale increase in the US-Soviet trade becomes a reality will depend largely on the interest Moscow shows in the enlargement of truly peaceful commerce.

A NEW CHAPTER IN CANADIAN-INDIAN CO-OPERATION



THIRTEEN years ago, when Indian Aluminium Company's smelter at Alupuram produced aluminium for the first time in India, this versatile metal was being used mainly in the manufacture of cooking utensils. Today, aluminium has become important in a variety of industrial applications, and to meet the

rapidly increasing demand, the Company is installing a new 10,000 ton smelter at Hirakud, Orissa.

Here, as at Alupuram, the Company's Canadian associates will help not only with their technical know-how and world-wide experience, but they will also share the costs of the project, to finance a part of which the Company proposes to issue fresh capital.

Indian Aluminium Company Limited

A Canadian-Indian Enterprise

signed and announced

part by a aluminium known

company's helping Hirakud more than 1 production and continuous

be required, and part raised by a capital by

The CENTRAL BANK OF INDIA, LTD.

(Established December, 1911).

Head Office:

Mahatma Gandhi Road, Fort, Bombay-1.

Authorised Capital	6,30,00,000
Issued Capital	5,77,50,000
Subscribed Capital	5,76,66,125
Paid-up Capital	3,14,54,250
Reserve Fund & Other Reserves	4,01,81,217
Deposits as at 31-12-1955	1,28,96,40,383

DIRECTORS

Sir Homi Mody, K.B.E. (Chairman).
Cooverji Hormusji Bhabha, Esq. (Vice Chairman).
Dinshaw D. Romer, Esq.
Dharamsey Mulraj Khatau, Esq.
Manmohandas Madhavdas Amersey, Esq.
C. P. Wadia, Esq.
Chimanlal Bapalal Parikh, Esq.
Framroze J. Gazdar, Esq.

Branches and Pay Offices in all important Cities and Towns of India, Pakistan, Burma and in London.

LONDON BRANCH: 159, Fenchurch Street, London, E.C. 3.

NEW YORK AGENTS: The Guaranty Trust Co. of New York, The Chase Manhattan Bank.

Banking business of every description transacted on terms which may be ascertained on application.

N. K. KARANJIA,
GENERAL MANAGER.

The Business World

HOW IS WORLD BANK MISSION REACTING?

By
CROESUS

As these lines are written, the World Bank Mission is in Bombay, meeting and having discussions with Government officials, economists, and business men, and it is significant that considerably greater public interest is being evinced in the visit of this mission than in that of the first one which came to India in 1953. This is understandable, because anyone who has cared to study the second Five-Year Plan, which is vastly more ambitious than the first Plan, is bound to be only too conscious of the importance of foreign aid to the success of the Plan. Moreover, hopes of the prominent role that the World Bank in particular is expected to play in this context were roused, even a couple of months ago, that is, when, in presenting the Central Budget to Parliament, the Union Finance Minister said that he expected the World Bank to play a more significant part in financing the foreign capital requirements of the second Plan than it did in respect of its predecessor. Mr. B. Bhagat, the Union Deputy Minister for Finance, reiterated these sentiments, a few days ago, in the Lok Sabha, in reply to a question bearing on the visit of the World Bank Mission. He said that a "significant increase" in the amount of loans to India from the International Bank of Reconstruction and Development was expected during the second Plan period.

According to what the leader of the Mission, Mr. Thomas A. Mckittrick, himself said in Madras, about two weeks ago, the object of the World Bank Mission is "to provide information to the World Bank to assist it to determine the policy and extent of any loan to India to finance the second Five-Year Plan". A notable feature of the present mission is that none of its members, including the leaders, is an official of the World Bank, and some of them are visiting this country perhaps for the first time, so that the team comes to India with an absolutely open mind, free from any inhibitions or preconceived notions. It is of the utmost importance, therefore, that great care and circumspection must precede whatever is told or placed before the members of this Mission. But, what do we find actually? On the official side, there is displayed—as rightly pointed out by 'The Eastern Economist' such heights of indiscretion and tactlessness as the publication (by the Central Statistical Organisation) of the estimated National Income of the Indian Union for 1954-55 (which, according to the CSO's own admission, is based on inadequate data) suggesting that no progress was made by the Indian economy between the years 1953-54 and 1954-55! The non-official side also seems to have contributed its quota of indiscreet and incorrect statements, judging from some of the impressions that the Mission would appear to have formed, albeit tentatively. It is imperative that, before the Mission leaves India, it is enabled by the powers-that-be, when the Mission visits Delhi, to disabuse itself of at least the incorrect aspects of some of its impressions.

Meanwhile, it is gratifying to find (from what the members of the Mission have said in Calcutta, Madras, Trivandrum, and Bangalore) that they are impressed (i) with the success of our first Five-Year Plan, under which 85 per cent of the budgeted Plan expenditure has been spent and there has been an increase of 105 per cent in our economic output, (ii) with India's having set out to build up her economy by democratic methods, (iii) with the rural development work, especially the

community projects and the N.E.S. services, and (iv) with the visit to Calcutta, the Chittaranjan Locomotive Works, the D.V.C., and the Sindri Fertiliser Factory. Mr. Mckittrick is reported to have said, referring to these last: "These major installations are a clear demonstration of India's ability to deal with several problems, including industrial operations". Reading this observation along with another observation of his, namely, that "the World Bank is greatly interested in building up the economy of those countries which have not so far taken a leading part towards industrialisation as more advanced nations have done", one could reasonably assume that the Mission would give a good bit to India.

At the same time, it seems clear that the Mission is not without certain doubts about the second Plan, as also about certain policy approaches of our Government. These are worth noting by the Government of India not only to be able to meet these points if and when these are raised further on by the World Bank, that is after the Mission submits its report, say by mid-June, but also to remedy the position, if need be and wherever possible, in the light of the Mission's findings. The Mission feels, for instance, that it would be a little difficult to attain the targets in the Plan because of lack of technical personnel and also of financial resources. Though some of the advanced countries might be willing to help in the former direction, there are not adequate technical personnel to spare, the Mission has opined. Similarly, in regard to raising more resources within the country itself, the Mission would appear to have gathered the impression, from its talks with various people, that Government's expectations are pitched rather too high. Again, the leader of the Mission is reported to have said, in Bangalore, that there was necessity for production and transport and export and import moving together within the framework of the Plan. In other words, he seemed to have suggested that, in the matter of priorities and of co-ordinating the various phases of the Plan so as to avoid delays, the second Plan did not afford him complete satisfaction. One also gets the feeling that the Mission would have liked a higher provision for transport. The leader of the Mission is further believed to have emphasised the need for both public and private sectors moving forward together in order to achieve the best results. Of course, he did not say, in so many words, that the Plan could well afford to give more responsibility to the Private Sector than at present. Then the rate of increase in gross national output assumed under the second Plan requires to be looked into, according to one member.

Notwithstanding some of these reactions, which, by the way, are by no means unfamiliar, in that more or less similar reactions have ere now been given expression to by critics in our own country, it is encouraging to note that the Mission has been impressed with the second Plan, in particular with the provision for the annual review of the position, and also with the fact that the whole country has been collaborating with the Government in the implementation of the Plan. In the considered opinion of the Mission, although the Plan is ambitious, the approach to it is right and wise. Mr. John C. De Wilde, Deputy Leader of the Mission, for example, thought that, in the matter of planning, more had not been done by any other

Announcing

TEHMACO
(GWALIOR) LTD.

WECO
Thann, FRANCE

Collaboration

for the
manufacture of various types of preparatory
and ancillary equipment for textile fabric manu-
facture, in all classes of natural and
synthetic fibres, including

★ HIGH SPEED WINDING MACHINE ★ HIGH SPEED WARPING MACHINE
★ AUTOMATIC PIRN WINDER ★ WEFT CONDITIONING MACHINE
★ VACUUM CARD STRIPPER ★ LOOM CLEANER UNIT etc.

Enquiries to:
TEHMACO
(GWALIOR) LTD
P. O. Birlanagar
(M. B.)

DELHI
Rohangal Mansion, Kashmere Gate,
Hamilton Road.

AHMEDABAD
Chhotelal Bldg., Kadia Kul,
Relief Road.

BOMBAY
254-A, Annie Besant Road,
Worli.

BANGALORE 64, Second Cross, Gandhi Nagar.

Vol. 90-2.

country in Asia. And he justified the ambitious nature of the second Plan in these terms, whilst addressing the Press in Trivandrum: "The second Five-Year Plan is a very ambitious one." Obviously, it is, because you want to make rapid progress".

From what has been stated so far, it should be evident that the World Bank Mission has gone about its task of assessment of the Indian economic scene in an able and competent way. Accordingly, its report, based on this assessment, should not cause us any concern. But, in deciding upon the extent of assistance that could be given, all shades of enlightened public opinion in India are agreed that, besides this, the I.B.R.D. authorities should also take one more very important factor into consideration, namely, the economic development plans of another Asian country, of a different political persuasion—China. Naturally enough, all Asian countries would now watch the progress of both democratic India and Communist China, and it is the merest commonsense to expect that the comparative achievements of these two will also constitute to the other Asian countries a convincing commentary on the relatively greater efficiency of either of the two political ideologies. If, for argument's sake, China were to make more rapid and spectacular progress than India, then these other Asian countries would not pause to analyse the means adopted in forming their judgment but precipitately proceed to the conclusion, even if unwarranted, that Communism is to be preferred to Democracy. So it is the duty of all lovers of democracy and democratic planning to ensure that India, with her much-appreciated democratic type of planning, scores a distinct march over China in economic progress. India has proved its capacity to be able to achieve big things, but may lag behind now if adequate finances are not forthcoming in time. All democratic countries must recognise what this will mean and any decision to determine and allot aid to India must be governed solely by this recognition. This is as much in the interests of their own self-preservation as in those of India.

THE BANK OF BARODA, LIMITED

Established in 1908

CAPITAL AUTHORISED	Rs. 2,40,00,000
CAPITAL ISSUED & SUBSCRIBED	" 2,00,00,000
CAPITAL CALLED UP & PAID-UP	" 1,00,00,000
RESERVE FUNDS	" 1,28,00,000

Head Office: BARODA

SAFE DEPOSIT LOCKERS

AVAILABLE AT OUR VARIOUS BRANCHES

Credits and Bills on all principal centres of the world opened and negotiated—complete Foreign Banking Service offered.

GENERAL BANKING BUSINESS TRANSACTED

N. M. CHOKSHI

General Manager.

BUSINESS NOTES

SECRET OF JAPAN'S TEXTILE OFFENSIVE

THE PHENOMENAL rise in the export of textiles from Japan, particularly to America, has ere now become a fairly common topic of discussion among American cottonmen, who not only blame Japan for this but for all sorts of internal disequilibrium in the textile industry in the USA. Next to the American surplus cotton disposal plan, the growing—they would prefer to call it 'alarming'—increase in the import of Japanese textiles is perhaps the most hotly debated issue which figures prominently in the agenda of meetings of all associations of textile interests in the States.

The entry of Japan as a full member of the GATT on September 10, 1955 and the generous tariff concessions given to it by America at the Geneva Conference prior to that marked the beginning of the rise in the tempo of textile exports from Japan to America. Thus, the American Government is itself instrumental in a way in helping Japan's increased textile exports, although cotton mill interests in America have been vying with one another in a mud-slinging campaign race against Japan's textile policy. Recently, a leading American cotton manufacturer went to the extent of saying that, "unless we receive relief in the form of import quotas and other measures, we will see, in our life time, the end of the American textile industry. The import of Japanese goods has shaken the American industry more than anything else in the past 100 years". Not to be outdone, as it were, another enthusiastic US campaigner against Japan has gone on record as saying that "such competition during the last four years has thrown the American textile industry into one of its worst depressions, worse, in some respects, than that of 1929".

In striking contrast to the gloomy predictions of these Jeremiahs, the case for allowing Japan to expand her textile exports has been put forward by Richard Hughes. "How defensible, in the global picture today, are these American protests?", he asks. In an article entitled "Japan's 90-million Problems", Mr. Hughes pleads for affording increased opportunities for Japanese exports of textiles. Lifting the veil over the astonishing boom in textile production, Mr. Hughes discloses that it is as a result of the mushrooming of a large number of small cottage workshops, utilising specialised plants (not Ambar Charkhas) that Japan has been able to achieve remarkable progress in the output of the one-dollar Japanese shirts and blouses which, from all accounts, have become the rage in the US. Thanks to the flexible Japanese potential for low-priced—not cheap, be it noted—goods, the export output of these shirts and blouses, which was only 189,000 dozens in the whole of 1954, went up to the phenomenal figure of one million dozen every three months. According to the author, when the demand has outstripped the maximum production capacity, the family-based units, which meet the bulk of the export orders, merely add one or more machines to the tiny domestic plant which they operate and, in Japanese fashion, enlist the services of more members of the family or of neighbouring families.

An even more interesting disclosure made by the author concerns the quality of these home-made goods. He says: "Buyers and sellers are all impressed by the high quality and uniformity of style achieved in these difficult and dispersed, but flexible, low-priced, efficient and characteristically Japanese conditions." It is also significant to note that the Japanese Government has also been extra keen in taking measures to enforce quality standards, so that there could be no more of those pre-war charges of dumping of shoddy goods.

Between the US having a surplus raw cotton on her hands, eager to find buyers, and Japan with an apparent abundance of cotton manufactures, keenly searching for purchasers, there is certainly a close streak of similarity. If America has no qualms to sell her cotton at world (competitive) prices—notwithstanding her assurances against disturbing world markets—it does not surely lie in her mouth to question the ethics of Japanese textile exports. Let her mark these words of Mr. Hughes: "ninety million Japanese responding once more to the ancient, dimmed but re-awakening Japanese instincts of proud patriotism, independence, and self-sacrifice, must eat to live. If they are not allowed to compete, fairly and equitably, in Western markets, their only alternative is starkly clear".

POWERLOOM FACTORY OR COMPOSITE MILLS?

IT WAS after considerable discussion between the authorities and the textile interests concerned that the Central Board of Revenue recently agreed to permit artsilk weaving mills not having their own artsilk spinning units, to pay excise duty on a loomage basis instead of on a square-yard basis. Under the loom basis, power loom factories are required to pay excise duty at Rs. 27 per loom for the first shift and at Rs. 18 per loom for the second shift, the first nine looms being exempt from payment of the duty. The square-yard basis, which involves payment of excise duty at nine pies per square yard—this works out to about four pies per square yard more than under the loom basis—on the other hand, is applicable to composite mills, that is mills having both spinning and weaving units.

One would have thought the intention of the authorities was quite clear and unequivocal. Artsilk weaving units, most of which have no spinning units of their own, accordingly began payment on a loomage basis. Some of these artsilk weaving units in Bombay happen to be located—although separately housed—in the compounds of cotton mills which are composite units, in that these spin their cotton yarn and weave out of the same yarn, that is yarn produced by them. Some ingenious brain in the Central Excise Department has seized this fact to dub the artsilk weaving units so situated as "composite units" and to demand excise duty at a higher rate, that is on a yardage basis. By doing so, the authorities are unwittingly injuring the interests of these mills, inasmuch as they are compelling such units to sell their goods at a price about four pies per yard higher than artsilk weaving units (powerloom factories) not situated in the compound of cotton mills, and this at a time when the industry generally has been passing through rather difficult times and competition has become very keen.

What is even more strange about this anomalous situation is that, when the Millowners' Association, Bombay, had discussions with a member of the Central Board of Revenue on this subject a few weeks ago, he was so fully convinced of the genuineness of the grievance that he said he saw no reason why such units should not be permitted to avail themselves of the option to pay duty on a loomage basis so long as the power looms were separately housed and separately registered under the Factories Act. These conditions seem to be reasonable enough, although it may entail, in some cases, a splitting of the registration certificate by the Factories Inspector concerned into two separate certificates, one relating to cotton textiles and another relating to artsilk textiles. But, normally, this should not present any serious difficulty, although one cannot be too sure what Government departments will do these

United Nations



STATISTICAL YEARBOOK 1955

The latest issue is a comprehensive collection of authoritative statistics on more than 250 countries and territories which contains 183 tables, most of which cover a 20-year period, some brought up to mid-1955. Among the subjects covered are the following:

Population, industrial and agricultural production, mining, manufacturing, construction, consumption, transport, internal and external trade, balance of payments, wages and prices, national income, finance, social matters, education. 644 pages

Clothbound \$7.50

(Payable in local currency)

Paperbound \$6.00

For a year-round international statistical service

MONTHLY BULLETIN OF STATISTICS

Current data on economic and social conditions in over 130 countries covering more than 60 subjects, including a wide range of economic matters of interest to business.

Annual subscription \$10.00

(Payable in local currency)

Single copy \$1.00

Obtainable from

ORIENT LONGMANS

Calcutta, Bombay, Madras and New Delhi

OXFORD BOOK & STATIONERY COMPANY

New Delhi and Calcutta

P. VARADACHARY & COMPANY

Madras

days. It is a pity that, even today, few government officials realise that their unimaginative and unhelpful attitude often retards the tempo of national production which the Prime Minister and our Planners have been ceaselessly striving to raise and raise speedily.

COTTON FUTURES: SEARCH FOR VIA MEDIA

THE NEARLY six-month-long stalemate in the cotton futures market seems to be on its last lap, as serious efforts are being made by the interests vitally concerned to bring about a resumption of trading in futures at an early date. The Hedge Contract Committee of the East India Cotton Association, which has been entrusted with the task of exploring the possibilities of resumption of trading, has got off to a good start with a series of discussions on the issues immediately affecting the cotton trade. However, at its meeting on Monday (May 28), it was found that opinion was sharply divided among the members of the Hedge Contract Committee as to whether trading in the 1956-57 cotton crop should be done with two contracts running simultaneously, or with just one contract. While a majority of the members would seem to favour two contracts, one for medium staple and another for lower staple, the conservatively inclined members would appear to show unmistakable preference for the continuance of the status quo, namely to have only one contract.

Those favouring the introduction of two contracts running side by side point out that this system is by no means novel to the Bombay market, inasmuch as a similar system actually prevailed prior to 1939. They are of the opinion that the parallel operation of two contracts would offer reasonable hedge facilities to all varieties of Indian cotton. Thus, whereas one contract would apply to the better varieties of cotton, the other would take care of medium and lower varieties. It is suggested by some that the contracts should be qualified not only by their staple lengths thus, but by their spinning character as well. In support of their claim for two contracts, those who seek reorientation in this behalf bring in the further argument that there would be less scope for cornering by bulls and also more opportunities for straddle business between Bombay, Ujjain, and Akola.

The opposition to the introduction of two contracts seems to rest on two counts, in the main. In the first place, those who prefer the 'status quo' are highly sceptical whether the two contracts would at all work successfully, when even a single contract has got the cotton market into such a mess. They are certain that it would ultimately result in the present confusion getting worse confounded. Again, they are doubtful whether there is sufficient freedom of operation in the market at present, what with the prevailing floors and ceilings, to warrant a complete reorientation. Yet another drawback, they point out, is the insufficiency of cotton supply which continues to be a gamble, thanks to the vagaries of the monsoon.

The Forward Markets Commission is expected to deal with this issue ere long. Meanwhile, the stage is being set for a heart-to-heart talk between representatives of the trade and the Government, and the forthcoming visit of the Union Minister for Commerce and Industry to Bombay (on June 1) may be availed of by the East India Cotton Association, under the leadership of its new President, Mr. Madanmohan Ruia, to have preliminary discussions on the prevailing cotton situation.

OUTLOOK FOR TEA EXPORTS

THE YEAR nineteen-fifty-five was a crucial one for tea, as witness the fact that export earnings declined sharply to Rs. 1,086.9 million during the year ended

March, 1956 from Rs. 1,472.2 million in the previous year. The quantum of exports declined from 456.7 million lbs. to 401 million lbs., the major part of the decline being in the offtake of our traditional export market, the United Kingdom. The carry-forward from the 1954 crop, the increase in world tea production in 1955 and the decline in absorption of the three main tea-drinking countries, Great Britain, America, and Australia, combined to create a world surplus of nearly one hundred million pounds of tea. For nearly nine months of the 1955 season, there was too a limitation on the amount of tea, which could be exported to London from this country. This coincided with the increased world tea crop, on the one hand, and the credit squeeze in the UK on the other.

However, signs of improved prospects would appear to be visible in the tea market now. There is a fairly good demand and prices are picking up. The UK tea stocks are very low and, though dealers do not want to lock up capital, they are anxious to avoid a situation in which, with plenty of tea in the market, they find themselves short of tea in London! Smaller buyers who were hitherto remaining inactive are expected to buy more in London, while larger buyers also are likely to use this opportunity to replenish their stocks. Proposals to set up a Tea Bureau in the United Kingdom and plans to intensify propaganda in India itself are among other encouraging signs.

Again, drought has done considerable damage to Ceylon's tea crop in recent months. Though the resultant deficit in Ceylon's tea crop may, perhaps, be made up at a later stage, this shortfall would have a healthy reaction on the world buyers presently and may have, if only to a limited extent, the effect of helping the clearance of the surplus on the world markets. The International Tea Agreement is yet to be signed, but a favourable climate for the Agreement is being created. Once it is signed, a closer watch over production and supply would be possible. Producers in the coming season will learn from the lessons of 1955 and adjust their production accordingly.

Meanwhile, there are indications now that small internal buyers are realising that, with the increased amount of tea which has been shipped for direct sale in London, there may only be just enough available to carry them through to August, when the first consignment of the new season's tea can be expected on the market. It, therefore, seems likely that, with the United Kingdom and other outmarkets operating, albeit, in a limited way, and India's internal dealers and blenders continuing to purchase larger quantities, the market will now start rising and higher prices may be realised.

The positive remedy for overproduction is to increase demand. But tea interests are disturbed by this beverage's failure to hold its own, even in traditionally tea-drinking countries such as Britain and Australia. In America, too, despite the success of the Tea Council's 1954 campaign, the present position is not quite encouraging. On the other hand, the consumption of other beverages is increasing steadily. It is not that these countries are suffering from economic depression; it is rather that tea is not sharing in the general prosperity and, what is more, its merits are not being sufficiently appreciated by the younger generation. Future tea campaigns must, therefore, be designed to woo and win this section.

REGULATION OF FUTURES TRADING IN CASTORSEED

WHILE THE consequences of Government intervention in the cotton futures market are still fresh in one's memory, what appears to be the first step in this

direction in respect of the futures market in castor-seeds has been announced by the Government. According to a notification under Section 15 of the Forward Contracts (Regulation) Act, 1952, the Centre has decided to bring under regulation forward contracts in castorseed in the whole country, excepting the State of Hyderabad for the time being.

The notification states that forward contracts, except non-transferable specific delivery contracts, entered into on or before May 23, 1956, shall be deemed as closed, except in the State of Hyderabad, at the rate prevailing at the time the forward markets in the said commodity closed on May 23. Hitherto, section 15 of the Act was applicable to castorseed in Greater Bombay, where futures trading in castorseed was done under the auspices of the Government-recognised Bombay Oilseeds Exchange, while, in other areas, such contracts could be entered into freely.

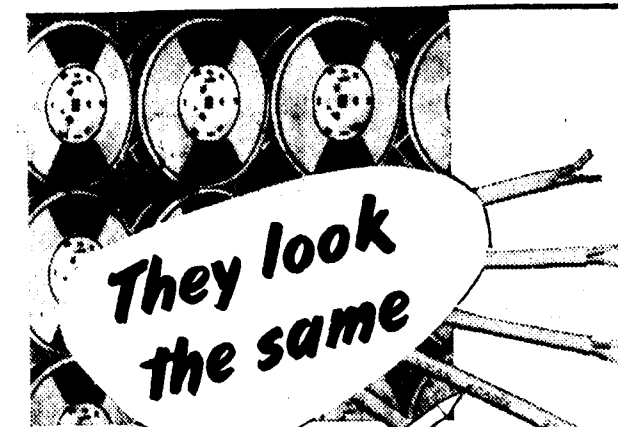
The oilseeds market in Bombay has been witnessing hectic conditions of business for the past few weeks. Bulls in the market would appear to have a firm grip on the market even now, despite occasional relapses in the price trend. While the statistical position in respect of castor, groundnut, and linseed has been generally tight, at any rate, for the first two weeks of May, there have also been sustained enquiries for oil from overseas. Particularly keen was the demand for castor oil from Japan and the USA. Although the reported business with Japan for about 3000 tons of oil was itself subject to the availability of import licences in that country, the mere possibility that there would be sustained demand from Japan and, to some extent, from Australia, was sufficient to strengthen the hands of the bulls. In the event, prices of castor futures, particularly the May contract (due to mature on May 31) were taken up to the highest level during this season, of Rs. 160-10. This time last year, it is interesting to compare, the same contract did not move beyond Rs. 73! It is true that, towards the third week of the month, the statistical position became easier, following fresh arrivals from Gujerat, Saurashtra, and Karnatak centres. But this did not materially affect the underlying trend of prices which continued to be firm, thereby indicating a distinct speculative bias in the pattern of trading. Many in the trade were, therefore, apprehensive that the Government would come up with some announcement or other to check this rise in prices. So, the decision to regulate forward trading was not altogether a surprise to the market. Since the announcement, a declining trend has set in, which has further deteriorated, following reports that freight rates for all oil shipments to the US are to be raised by \$6½ per ton to \$40 with effect from July 1. The bulk of the business would have been completed well before that date, but even so, the future is certainly bleak, as far as shippers of oil are concerned.

T. C. FIVE-YEAR PLAN AND RESEARCH ON CASH CROPS

THE SECOND Five-Year Plan for Travancore-Cochin aims at providing employment to 1.6 lakhs people. But, in a State where there are 28 lakh unemployed persons, most of them educated and young, this touches only the fringe of the problem. For a population of ten million, Travancore-Cochin has, perhaps, the highest percentage of rural and urban unemployment in India. The latest census report shows that the State Government faces every year the responsibility of providing employment to additional 60,000 people, who attain majority. In other words, Travancore-Cochin should find employment for three lakhs of people during the second Plan period even to keep employment figures at the present level! Organised industries in the State are few and only a small section of the people is engaged in these. The main drawback of the State's second Plan is its failure to provide for the establishment of any major industry in the State.

However, three industrial estates—one each at Trivandrum, Quilon, and Trichur—two major workshops and three small workshops have been sanctioned by the Government of India, following Mr. P. S. Rau's talks with the Union Minister for Commerce and Industry, early last month. The entire cost of these estates and workshops will be met by the Central Government as a long-term loan to the State Government. Loans to individual entrepreneurs for capital expenditure on machinery and equipment and also for working capital will be given on easy terms, according to the scheme initiated by the Government some time ago, i.e., up to 75 per cent of the value of the security offered, including assets and stock-in-trade created out of the loan, and at 3 per cent interest. Loans will also be given at a concessional rate of 2½ per cent to industrial co-operatives. A provision of Rs. 230 lakhs has been made for organising new production units in cottage industries, including the starting of the industrial estates. The establishment of a co-operative spinning mill at Trivandrum and the issue of semi-automatic looms to 3,000 weavers and of loans to 30,000 weavers are the highlights of the programme to develop the handloom industry. There are at present 275 handloom co-operatives in the State.

Another important feature of the second Plan is the provision for research work on the main cash crops, like lemon grass, ginger, cardamom, pepper, arecanut, and sugarcane. Particularly, the scheme to afforest 20,000 acres with cashew will substantially reduce the country's dependence on foreign imports for the supply of raw materials to this vital indigenous industry and a valuable earner of foreign exchange—dollars. The Government of India, it is gratifying to note, is encouraging the extension of the area under cashew, and has already initiated research into its problems. Under the auspices of the Indian Council of Agricultural Research and the State Government, a research station was recently set up in the State to make a comprehensive collection of cashew with a view to isolating and promoting production of superior high-yielding types.



But only one is
PARAMITE
the reliable
Cable

Made by India's Largest Cablemakers

THE INDIAN CABLE CO., LTD.

Established since 1920
Head Office: 9, HARE STREET, CALCUTTA
Works: TATANAGAR
Representatives in India for
BRITISH INSULATED CABLES LTD.
BRANCHES:
Ahmedabad, Amal, Bangalore, Bombay, Calcutta, Jamshedpur, Kanpur,
Madras, Nagpur, New Delhi, Secunderabad and Trivandrum.



THE LARGEST AND FULLY EQUIPPED TEXTILE MILL IN EASTERN INDIA

Specialising in

**COTTON SAREES AND FABRICS IN ATTRACTIVE
DESIGNS AND PRINTS, DHOTIES, SHIRTINGS
AND HOSIERY PRODUCTS**

KESORAM

(Classic Cottons)

KESORAM COTTON MILLS LIMITED

Managing Agents

BIRLA BROTHERS LIMITED
8, Royal Exchange Place, Calcutta.

COMPANY AFFAIRS

MAHINDRA AND MAHINDRA, LTD.

The first report since the Company was converted into a public limited Company in mid-1955, covering its working for the year ended October 1955, is now available, showing satisfactory results. The year has been a year of record sales turnover of the Company. Trailer sales were almost double of the previous year and there was substantial increase of nearly 50 per cent in the offtake of jeeps and allied vehicles. The sale of tractors has, however, shown a marginal drop. In regard to steel imports, the Company was responsible for a large share of 36 per cent of the total steel imports in 1955 by the Iron and Steel Controller. The Company is making arrangement for expansion in its various activities.

As for the financial results, the profit for the year under report is Rs. 23,72,443, after providing Rs. 1,51,510 for depreciation. With Rs. 70,080 brought forward from the previous year, the amount available for disposal totals Rs. 24,42,523 out of which Rs. 9.5 lakhs and Rs. 5 lakhs have been appropriated to provision for taxation and bonus to employees respectively, leaving a balance of Rs. 9,92,523. Reserve for additional taxation and contingencies takes another Rs. 6 lakhs. A dividend of 10 per cent per annum on ordinary shares, and of 6 per cent per annum on preference shares, both free of tax, absorb Rs. 2,74,443 and Rs. 31,250 respectively. The balance of Rs. 86,830 is carried forward.

GODFREY PHILLIPS, INDIA, LTD.

After two consecutive years of depressing results, with gross sales falling from Rs. 278 lakhs in 1952 to Rs. 230 lakhs in 1953 and Rs. 185 lakhs in 1954, the results for the year ended December, 1955, show that substantial progress has been made in recovering lost ground. Without any material increases in the prices of the Company's products during the year, the gross sales have gone up to Rs. 250 lakhs, and in spite of increasing costs, the profit figures have also improved. The profit for the year, after providing for taxation, depreciation and other charges stands at Rs. 9,51,201. To this have been added Rs. 13,30,075 brought forward from the previous year and Rs. 46,731, provision for taxation no longer required. An amount of Rs. 1,30,508 is deducted on account of short provision for bonus for 1954 and difference in dearness allowance in respect of previous years, which makes available a sum of Rs. 21,97,499. Out of this Rs. 79,000 have been transferred to reserve for gratuities, leaving a balance of Rs. 21,18,499 available for disposal.

The Directors have recommended a dividend of 5½ per cent per annum, subject to tax, on preference shares, which absorbs Rs. 1,21,688. On ordinary shares, a dividend of 20 per cent per annum has been recommended which absorbs another Rs. 3,00,000 leaving a balance to be carried forward of Rs. 11,96,811.

THE SOORAH JUTE MILLS CO., LTD.

The audited accounts of the Company for the year ended December 1955, show a profit, before providing for depreciation and taxation, of Rs. 10,54,099. Including the balance of Rs. 1,66,758 brought forward from the previous account, the sum totals Rs. 12,20,857. Out

of this amount, Rs. 7,56,701 have been provided for depreciation and Rs. 1,36,000 for taxation for the year, and Rs. 45,000 have been transferred to the Investment Reserve account, leaving a balance of Rs. 2,83,156 available for disposal. The Directors have recommended a dividend of 7 per cent per annum, free of income-tax, on 10,000 cumulative preference shares which absorbs Rs. 70,000. On 1,40,000 ordinary shares, a dividend of Rs. 1-8 per share (or 15 per cent per annum) also free of income-tax, absorbs another Rs. 2,10,000 leaving a balance of Rs. 3,156 to be carried forward.

With 12½ per cent of looms sealed throughout the year under review, the mills worked 351 of the total of 401 looms, 48 hours a week. According to the new working time agreement, only 5 per cent of the total looms now remain out of commission. The Directors have reported that the full benefit of modernisation of the mills up to spinning was felt during the year.

THE MERCANTILE BANK OF INDIA, LTD.

The net profit of the Bank for the year ended December, 1955, is £235,423 which is £41,099 higher than the figure for 1954. Two dividends have been declared totalling 14 per cent, payable on the increased capital, which absorb £118,335 compared to £97,020 for the previous year. After making provision for other usual allocations (£13,000 transferred to Officers' Pension Fund; £35,000 written off Freehold Banking Premises and Property and £50,000 Additional Allocations to Contingencies Account) there remains a balance of £219,372 which is carried forward.

The expansion recorded in the Bank's general business during 1954, continued during the year under review. The Balance Sheet total is £72,065,153 against £68,594,152 at the close of 1954. Deposits are higher by nearly £4 million, while on the Assets side there are increases of over £2 million in loans and advances, nearly £1 million in Bills Receivable whilst the holding of Government Securities is £4½ million higher.

EASTERN INVESTMENTS, LTD.

The profit and loss account of the Company for the year ended December, 1955, shows a credit balance of Rs. 8,13,572 including Rs. 3,13,308 brought forward from the previous account. The profit figure has been arrived at after paying an interim dividend on the cumulative preference shares at 2½ per cent, less tax, amounting to Rs. 46,094 and after providing Rs. 7,36,882 for taxation. A final dividend of 2½ per cent per annum, making the total dividend 5 per cent for the year, on 25,000 issued preference shares, less tax, absorbs another Rs. 46,094. On ordinary shares, a dividend of 9 per cent per annum, free of tax, has been recommended which amounts to Rs. 4,61,340. This leaves a balance of Rs. 3,06,138 to be carried forward.

The company's portfolio is representative of Investments which are quoted on the Calcutta Stock Exchange, with the exception of certain shares costing Rs. 1,29,553 for which no quotations are available. The total market value of the Investments for which quotations are available, together with unquoted investments as valued by the Directors, exceeds the book value at December 31, 1955 by Rs. 75,26,031.

COMMODITY NEWS AND NOTES

SECOND ESTIMATE OF TOBACCO

According to the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture, the all-India second estimate of tobacco, 1955-56, puts the current year's area at 352,000 acres as against the adjusted second estimate of 339,000 acres for 1954-55. This shows an increase of 13,000 acres or 1.5 per cent in area during the current year as compared to last year. The increase in area during the current year has occurred in Andhra, Bihar, Bombay, Madhya Pradesh, Madras and Hyderabad and is generally attributed to favourable weather conditions at the time of sowing. This increase has, however, been offset to some extent by decreases recorded in Madhya Bharat and Rajasthan.

The information given in this estimate generally relates to the period up to the end of February 1956.

ALL-INDIA FINAL ESTIMATE OF DRY CHILLIES

According to the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture, the all-Indian final estimate of dry chillies, 1955-56, puts the current year's area and production at 1,492,000 acres and 340,000 tons as against the partially revised estimate of 1,523,000 acres and 363,000 tons respectively for 1954-55. This shows a decrease of 31,000 acres or 2.0 per cent in area and 23,000 tons or 6.3 per cent in production over last year. The decline in area and production of dry chillies, during the current year has occurred mainly in Rajasthan and Punjab, and to a lesser extent in PEPSU, Andhra, Hyderabad, Madhya Bharat and Delhi and is attributed generally to unfavourable weather conditions especially heavy rains at the sowing time. The decrease in area and production has, however been offset to some extent by the increase reported by Madras and Mysore States.

FINAL ESTIMATE FOR SUGAR PRODUCTION

According to the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture, the production of white sugar on the basis of the Final Estimate for 1955-56 season is estimated at 18.48 lakh tons as compared to 15.90 lakh tons (actual) during 1954-55. This shows an increase of about 2.58 lakh tons or 16 per cent over the previous year's production. The increase in production has been shared by all sugar-producing States, prominent amongst which are Uttar Pradesh, Bihar, Bombay, Hyderabad and Madhya Bharat.

INCREASED OUTPUT OF IRON-ORE IN INDIA

The total output of iron-ore in India increased by 399,651 tons in March, 1956, from 377,591 tons in February, 1956, according to official statistics released by the Chief Inspector of Mines in India. Returns received from 39 mines for the month of March, 1956, show despatches totalling 285,077 tons to the iron and steel plants and 49,972 tons to the export market. The reported stocks as at the end of the month amounted to 1,310,667 tons.

U.S. BURLAP CONSUMPTION

The latest statistics from the USA indicate that burlap consumption there is running at an encouraging rate; it was 7.6 million yards in March, against 68 million yards in March, 1955. US stocks, however, rose last month by 8 million yards to 253 million yards.

ESTIMATE OF COTTON IN MADHYA BHARAT

The area under cultivation and yield of cotton in Madhya Bharat have increased in 1955-56, according to the fourth official estimate of the crop released in a press note issued by the State Government. The estimated area under cultivation is put at 1,773,000 acres

and yield as 355,000 bales, compared with 1,560,000 acres and 3,25,000 bales in 1954-55.

WOOL EXPORTS

The outlook for the disposal of wool clips in overseas markets seems to be healthy. Some of the major importing countries are said to be "under-bought" in relation to their probable needs. This is perhaps reflected in the fact that in the U.K., which is the world's largest wool importer the recent attractive prices have brought out a substantial volume of new business in wool tops and yarns in the Bradford market. It is considered that the weight of business still to deliver is sufficient to maintain the present healthy rate of activity in British mills for the new few months. Moreover mill authority in principal manufacturing countries indicates that wool consumption is up to the level of the last quarter of 1955, which in turn promises a continued healthy rate of wool disposal and well maintained basis of values.

FINAL ESTIMATE OF JOWAR

According to the Directorate of Economics and Statistics, Union Ministry of Food and Agriculture, the all-India final estimate of jowar for 1955-56 puts the current year's area and production at 42,721,000 acres and 6,940,000 tons as against the partially revised estimate of 43,446,000 acres and 9,093,000 tons for 1954-55. Thus the present estimate shows a decrease of 725,000 acres or 1.7 per cent in area and 2,153,000 tons or 23.7 per cent in production over 1954-55 when the production of jowar reached an all-time record. As compared to the average of three years ending 1953-54, the present estimate, however, shows an increase of 1.2 per cent in area and a slight decrease of 1.7 per cent in production.

The decrease in acreage under the crop during the current year has been shared mainly by Bombay, Uttar Pradesh, Madhya Pradesh and Rajasthan and to a lesser extent by Vindhya Pradesh, Andhra, Punjab, Bhopal and Bihar and is attributable largely to unfavourable seasonal conditions at the sowing time. This decrease has, however, been offset to some extent by the increases in acreage registered mainly in Hyderabad, Saurashtra, Mysore, Ajmer and Delhi due to favourable weather conditions at the time of sowing.

RECORDS & STATISTICS (QUARTERLY BULLETIN)

Editor: R. V. MURTHY, M.A.

"The Eastern Economist" Bulletin of Records and Statistics surveys economic trends in each quarter in India and abroad with the aid of graphs and all available statistics. One of its special features is the Investment Supplement.

Annual subscription Rs. 12
For subscribers to "The Eastern Economist" " 10
Single copy " 3

Copies can be had from all important Booksellers and Railway bookstalls of Messrs. A.H. Wheeler & Company

For details write to:

THE EASTERN ECONOMIST

NEW DELHI: 52, Queensway.

BOMBAY: Kermani Bldg., Sir P.M. Road, Fort.
CALCUTTA: 28 & 29, Royal Exchange Place Extn.
LONDON: 3, Salisbury Court, Fleet Street.
NEW YORK: 25, Broadway.

WHEN BUYING INSIST ON FAMOUS CENTURY FABRICS

Specialities

"PARAMSUKH" DHOTIES :	COTTON WASTE BLANKETS
"LAKES BEAUTY" MULLS :	UMBRELLA & TAFETTA CLOTH
DYED & BLEACHED MOTI VOIL :	DYED VENETIANS
STRIPPED POPLINS :	GREY SHEETINGS
LONG CLOTH :	DYED & BLEACHED TOWELS
GREY & BLEACHED SAREES :	CHECK SHIRTINGS

MULTI COLOURED PRINTED CHINTS, MULLS, CREPES ETC.
IN ORIGINAL DESIGNS

The Century Spg. & Mfg. Co., Ltd.,

INDUSTRY HOUSE, 159, CHURCHGATE RECLAMATION
BOMBAY

Managing Agents:

BIRLA BROS. LTD.

Ask for Jute Goods:-

HUKUMCHAND JUTE MILLS.
LIMITED.
Estd:-1919

Mills at-HAZINAGAR 24-Parganas.
Rly. Stn.-NAIHATI (Eastern Rly.) West Bengal.

Manufacturers of

**HIGH CLASS HESSIAN,
SACKING, CANVAS,
TWINE, ETC., ETC.**

Ag. Agents;

RAMDUTT RAMKISSENDASS

9, BRABOURNE ROAD, CALCUTTA-1

**TELEPHONE Nos
22-3195 (3 Lines)**

**TELEGRAM
"JUTIFICIO" Cal.**

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

		Wholesale Prices (General Purposes Index)† Year Ended August 1939=100						Security Prices †† (1949-50=100)			
		Food Articles	Indus. Raw Mats.	Semi-ma- nufactured Articles	Manufac- tured Articles	Miscel- laneous	General Index	Govt. and Semi- Govt.	Deben- tures	Prefer- ence	V. D. I.
1947-48	..	308.1	377.5	281.6	286.4	456.2	308.2	..	..	..	..
1948-49	..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50	..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51	..	416.1	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52	..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53	..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54	..	384.4	467.7	359.2	367.4	636.6	397.5	90.4	100.6	87.3	95.6
1954-55	..	339.8	436.2	350.3	377.3	612.4	377.4	90.5	100.7	88.4	113.0
July 1955	..	309.7*	408.1*	329.6	370.9*	562.6*	355.6*	90.9	100.7	87.8	117.9
August	..	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.8	122.8
September	..	313.0	396.1	324.8*	368.8	556.3	353.2	90.9	100.7	87.2	122.8
October	..	315.7	403.7*	329.8	371.2	559.3	357.2*	91.0	100.7	87.2	124.5
November	..	326.5	418.9*	338.1	373.3	543.3*	365.0*	91.0	101.0	87.7	129.1
December	..	323.7*	438.3	346.6	373.0	544.2	368.4	91.0	101.0	87.7	130.6
January 1956	..	333.4*	454.2*	353.5*	375.2	540.0*	376.0*	91.0	101.0	87.3	125.7
February	..	335.3	461.0*	355.8	375.3*	529.1	378.4*	91.3	101.1	86.7	121.0
March	..	351.6	475.6	369.4	374.8	508.1	387.3	90.9	101.1	85.8	122.0
April	..	360.9	472.8	377.0	375.6	496.7	391.2	90.9	100.9	85.5	123.0
Week Ending	..	..	..	..	..	..	..	..	..	..	..
14-4-1956	..	360.0	471.0	375.1*	375.5*	496.0	390.5*	90.9	100.9	85.6	123.0
21-4-1956	..	361.3	475.4	378.4	375.8	496.5	392.1	90.9	100.9	85.4	122.4
28-4-1956	..	356.3	471.5	380.7	375.4	499.0	390.4	91.0	100.9	85.4	122.2
5-5-1956	..	353.5	469.6	380.9	374.9	499.7	388.9	91.0	100.9	85.3	122.4
12-5-1956	..	350.1	475.2	382.8	378.2	498.0	389.8	91.0	100.9	85.1	124.1

* Average of weeks.

* Revised

† Economic Adviser's Series.

†† Reserve Bank Series.

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS (August 1939=100)

Period	Bombay			Delhi	Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100	Ahmed- abad July 1927 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1934 = 100	Ludhiana†	Jamshed pur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	108	—	—	—
1944	238	303	243	132	339	471	372	146	309	184	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	298	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	323	371	364	133	321	134	135	132
1955 June	317	333	211	123	317	347	359	131	311	131	129	130
July	324	340	224	129	325	371	364	136	316	134	134	132
August	325	341	229	134	329	375	367	137	318	136	138	134
September	317	333	224	133	327	373	367	133	322	138	137	132
October	315	331	225	134	334	385	369	134	323	139	139	134
November	314	330	229	136	339	392	369	138	327	144	141	135
December	310	332	230	140	329	393	375	143	334	148	141	135
1956 January	318	334	226	139	319	404	378	146	334	—	138	133
February	321	337	224	137	315	394	—	—	333	—	—	133
March	334	350	230	139	325	398	—	—	340	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	26-5-1956			19-5-1956			12-5-1956			5-5-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola)	103- 0	99-15	100-14	106- 7	103- 5	104-15	106-12	105- 1	105-14	106-10	105- 1	106- 2
Silver (per 100 fine tola)	175- 2	169- 4	173- 5	181-15	176- 0	178- 9	182- 0	179- 4	180-12	183-12	179-10	182- 3

SCHEDULED BANKS

(Rs. in Lakhs)										
Period (1)	LIABILITIES			Cash (Notes + Coins) (5)	Balances with Reserve Bank (6)	(5 + 6) as percent- age of (4) (7)	Advan- ces (8)	Bills Discount- ed (9)	(8 + 9) as per- centage of (4) (10)	Invest- ments in Govt. Securities in India (11)
	Demand (2)	Time (3)	Total (2 + 3) (4)							
1938-39*	123.81	103.30	227.11	6.38	15.88	9.80	111.34	460	51.05	..
1947-48*	706.65	343.89	1,050.54	39.92	100.81	13.40	427.54	16.82	42.30	..
1948-49	674.56	303.88	978.44	37.51	76.63	11.67	424.85	16.44	45.10	..
1949-50	597.79	272.59	870.38	34.47	65.85	11.53	426.74	15.35	50.79	..
1950-51	599.13	278.45	877.59	34.68	60.78	10.88	447.03	11.87	52.29	..
1951-52	593.73	290.82	884.55	37.33	57.29	10.70	523.59	22.81	63.06	303.48
1952-53	546.23	309.26	855.49	33.33	51.82	9.95	461.64	38.47	60.48	306.34
1953-54	526.75	328.26	855.00	31.97	44.48	8.98	442.79	51.40	59.56	321.29
1954-55	559.62	351.86	911.55	32.66	53.91	9.50	468.39	84.66	62.08	339.74
Average of Fridays										
October 1955	612.82	422.95	1,035.77	33.98	59.64	9.94	484.87	105.51	59.24	390.42
November	612.61	423.85	1,036.46	35.22	57.05	8.90	491.93	105.00	59.79	393.43
December	613.68	422.24	1,035.92	38.93	58.38	9.39	503.02	107.00	61.04	390.56
January 1956	638.02	411.70	1,049.72	36.96	56.92	8.94	533.75	130.85	64.21	382.55
February	631.25	415.19	1,046.45	35.18	54.67	8.59	551.12	138.16	66.56	378.04
March	622.44	415.29	1,037.72	34.83	48.43	8.10	589.55	144.16	71.41	364.86
April	649.02	423.19	1,072.21	37.74	50.99	8.34	604.85	150.65	71.04	356.65
Week Ending										
20-4-1956	648.31	427.77	1,076.07	37.89	50.87	8.33	601.24	151.41	70.60	355.58
27-4-1956	645.71	428.7	1,074.41	37.56	48.80	8.12	605.01	152.70	71.28	355.09
4-5-1956	637.89	429.60	1,067.49	36.91	49.18	8.14	611.37	151.80	72.16	355.34
11-5-1956	632.36	431.86	1,064.22	36.05	48.60	8.00	617.07	152.12	72.28	356.20
18-5-1956	637.98	433.71	1,071.69	38.67	48.23	8.10	614.76	153.32	71.69	353.55

* Undivided India.

† Including foreign bills purchased and discounted.

MONEY SUPPLY IN INDIA

(Lakhs of rupees.)

Last Friday (1)	Money supply (2) = (3) + (4)	Total currency with the public (3)	Deposit money with the public			Total variations in money supply (7)
			Total (4)	Demand liabilities of banks (5)	Total deposits with Reserve Bank (excluding those of central Govt. & Banks) (6)	
1952-53	1,784.55	1,199.25	585.30	548.95	36.35	-44.30
1953-54	1,856.57	1,229.43	627.14	549.83	77.30	+72.62
1954-55	1,980.90	1,311.77	669.13	599.18	69.97	+124.33
February 1955	1,915.34	1,272.35	643.00	610.04	32.96	+37.61
March	1,980.90	1,311.77	669.13	599.18	69.97	+65.56
April	2,003.14	1,342.90	660.23	614.26	45.98	+22.24
May	1,989.50	1,348.41	641.09	616.96	24.12	-13.64
June	1,988.42	1,343.74	644.67	623.43	21.24	-108
July	1,974.91	1,324.80	650.11	619.53	30.58	-13.51
August	1,995.61	1,314.74	680.88	632.86	48.02	+20.70
September	1,965.40	1,309.69	654.71	632.36	22.35	-30.21
October	2,008.47	1,331.40	677.08	635.72	41.35	+43.07
November	2,014.88	1,351.24	663.64	640.40	23.24	+6.41
December	2,057.77	1,385.87	671.90	650.14	21.77	+42.89
January 1956	2,112.52*	1,405.96*	706.56*	675.66*	30.90	+54.75*
February	2,123.41*	1,433.70*	689.70*	662.27*	27.43	+10.89*
March	2,240.75*	1,490.30*	741.45*	667.41*	74.05	+117.34*

* Provisional.

Source: Monthly Bulletin of Reserve Bank.

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

PERIOD	LIABILITIES			ASSETS					
	Notes in Circulation	Notes Held in Banking Department	Total Notes Issued (a)	Gold Coin and Bullion (b)	Foreign Securities (c)	Total of (b + c)	(b + c) as Percentage of (a)	Rupee Coin	Total Assets
1938-39*	182.36	28.28	210.64	44.42	66.95	111.37	52.91	67.11	210.64
1947-48*	1,227.82	47.12	1,274.95	44.42	1,135.32	1,179.74	92.53	32.36	1,274.95
1948-49*	1,231.84	22.02	1,253.86	42.49	907.47	949.96	75.43	42.96	1,253.86
	(5.58)	(—)	(5.58)					(90)	(5.58)
1949-50*	1,128.94	24.00	1,152.94	40.02	847.04	887.06	59.59	50.53	1,152.94
1950-51*	1,163.21	17.19	1,180.40	40.02	824.70	864.72	56.31	57.21	1,180.40
1951-52*	1,189.84	27.78	1,217.62	40.02	825.27	865.29	54.64	63.98	1,217.62
1952-53*	1,114.84	27.87	1,142.72	40.02	564.40	604.42	52.89	80.22	1,142.72
1953-54*	1,133.95	23.03	1,156.97	40.02	594.02	634.04	54.80	92.83	1,156.97
1954-55*	1,197.05	22.98	1,219.17	40.02	648.90	688.91	56.47	102.25	1,219.17
Average of Fridays									
September 1955	1,290.78	23.49	1,314.27	40.02	668.82	708.84	53.93	110.51	1,314.27
October	1,303.25	10.97	1,315.39	40.02	632.07	672.08	51.09	110.95	1,315.39
November	1,327.06	14.27	1,341.33	40.02	642.08	682.09	50.85	109.38	1,341.33
December	1,350.04	10.13	1,360.17	40.02	662.98	703.00	50.95	108.56	1,360.17
January 1956	1,384.06	16.67	1,400.73	40.02	679.49	719.52	51.37	106.52	1,400.73
February	1,402.42	9.14	1,411.56	40.02	663.40	703.43	49.83	104.90	1,411.56
March	1,446.41	11.13	1,457.54	40.02	676.87	716.89	49.20	103.18	1,457.54
April	1,509.33	15.96	1,525.30	40.02	682.69	722.71	47.39	106.38	1,525.30
Week Ending									
20-4-1956	1,509.65	16.67	1,526.32	40.02	681.45	721.47	47.27	106.16	1,526.32
27-4-1956	1,505.01	22.35	1,527.36	40.02	681.45	721.47	47.24	107.20	1,527.36
4-5-1956	1,518.51	7.18	1,525.69	40.02	681.45	721.47	47.29	105.53	1,525.69
11-5-1956	1,525.88	8.78	1,534.66	40.02	681.45	721.47	47.01	104.51	1,534.66
18-5-1956	1,516.28	18.50	1,534.78	40.02	681.45	721.47	47.01	104.62	1,534.78

BANKING DEPARTMENT

(Rs. Lakhs)

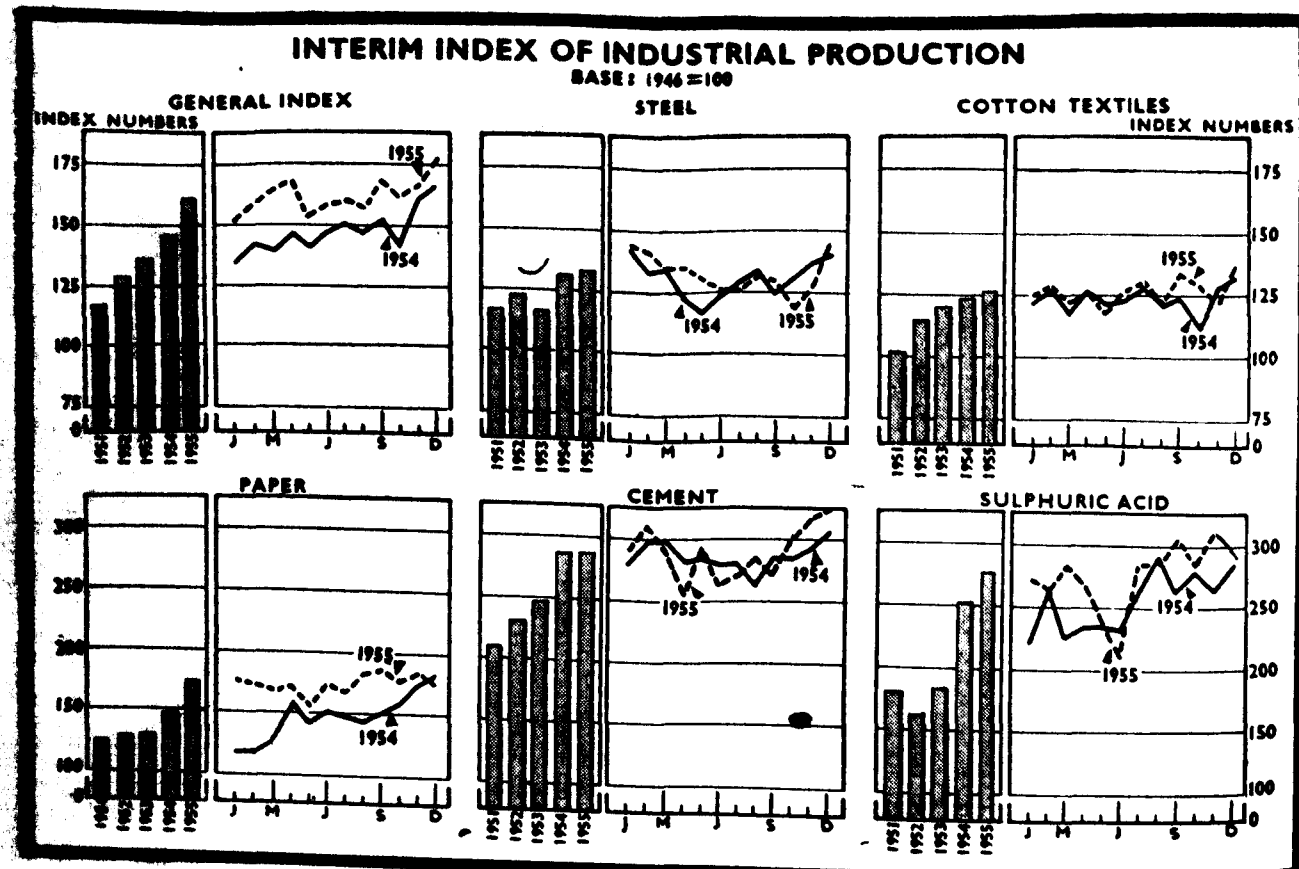
PERIOD	DEPOSITS					Other Liabilities	TOTAL LIABILI- TIES & ASSETS*	Notes and Coins	Bills Purchased and Discounted	Balances Held Abroad	Loans and Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Government	Other Governments	Banks	Others	Total									
1938-39*	14.90	..	16.19	75	31.84	1.28	43.12	28.38	1.53	4.21	1.72	2	6.36	90
1947-48*	360.79	16.93	102.47	34.21	510.40	14.55	544.98	47.24	2.02	406.95	1.37	21	81.53	4.85
1948-49*	222.17	6.62	80.53	56.52	365.72	15.33	419.05	22.12	4.28	307.78	1.71	3.34	76.65	4.14
	(14.33)	(3.04)									(1)			
1949-50*	141.19	23.12	67.00	64.39	295.69	15.76	321.45	24.12	4.30	280.91	3.35	8.39	980.54	4.34
1950-51*	148.60	17.71	62.22	62.29	290.82	18.14	318.97	17.31	3.04	107.70	2.37	6.77	76.72	5.08
1951-52*	181.30	15.55	58.68	69.22	325.15	18.62	353.77	27.92	6.31	187.14	5.00	19.42	95.19	11.91
1952-53*	136.40	7.79	52.89	61.93	259.02	23.69	292.71	28.03	6.64	133.56	2.85	19.03	89.77	12.83
1953-54*	105.44	23.40	46.52	57.45	232.80	23.91	266.72	23.22	9.46	123.31	1.78	19.84	81.58	7.61
1954-55*	89.13	20.66	55.20	36.29	201.28	23.62	234.90	23.24	6.10	87.53	1.14	26.55	80.52	9.82
Average of Fridays														
July 1955	76.93	17.83	50.02	19.03	164.40	32.13	206.52	29.47	9.53	69.81	88	32.44	58.34	6.02
August	87.33	20.66	51.35	20.28	179.12	30.62	219.74	26.64	9.90	86.25	1.92	25.04	62.18	7.74
September	60.30	18.28	55.51	16.91	151.06	21.26	182.32	23.63	13.68	61.57	1.02	28.62	52.13	11.65
October	50.15	23.59	61.12	15.97	150.84	25.92	186.76	11.10	9.30	72.93	76	20.52	50.24	12.17
November	54.93	14.81	58.52	15.46	143.57	29.71	183.43	14.40	7.37	80.45	2.22	24.17	50.09	12.21
December	54.13	8.44	57.88	15.97	136.01	34.76	181.17	10.25	8.11	63.93	3.97	31.67	50.49	12.76
January 1956	53.56	12.51	59.90	17.49	142.53	48.77	193.81	16.82	9.33	56.74	2.82	43.77	51.13	13.21
February	61.12	13.65	56.38	15.85	147.00	59.59	206.59	9.27	3.50	72.81	3.41	53.41	49.71	14.40
March	57.51	37.22	49.25	16.93	159.51	59.25	220.30	11.26	9.53	65.31	1.60	3.88	39.44	17.33
April	50.21	30.15	52.14	17.16	155.65	58.82	214.48	14.64	13.35	54.43	1.34	65.52	45.55	18.12
Week Ending														
20-4-1956	55.86	25.63	53.33	17.03	151.76	59.29	211.05	16.82	13.24	52.71	1.00	64.47	44.64	

THE INTERIM INDEX OF INDUSTRIAL PRODUCTION

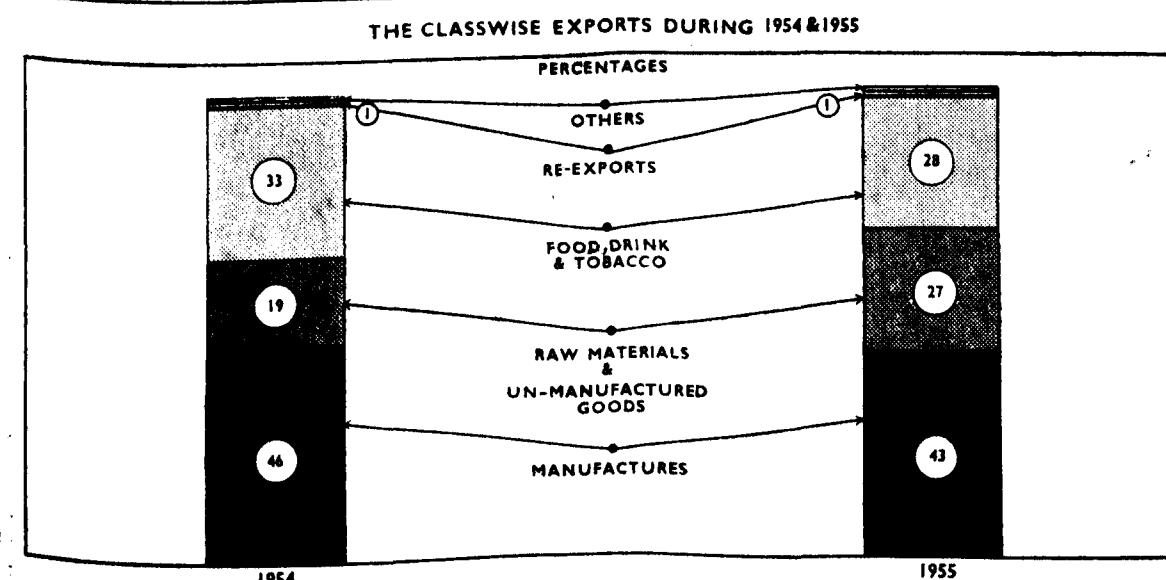
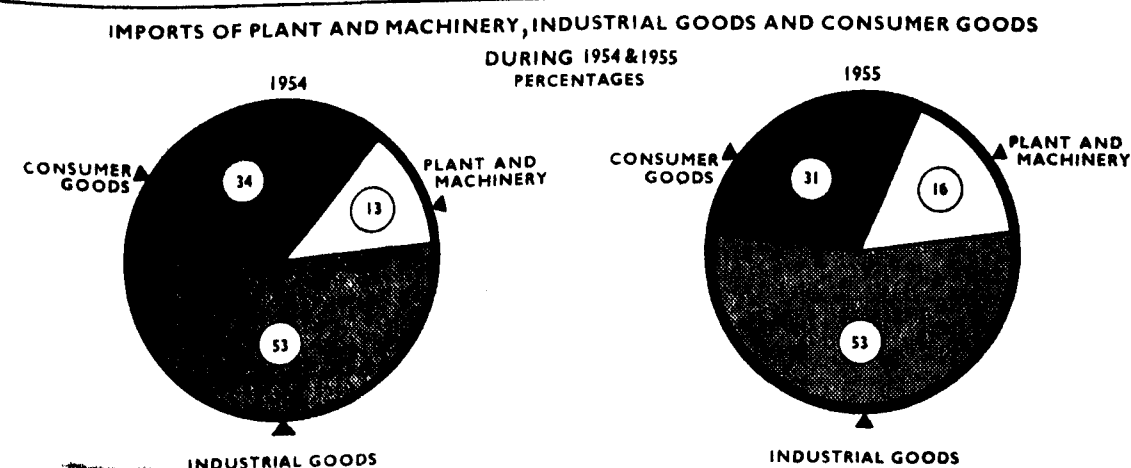
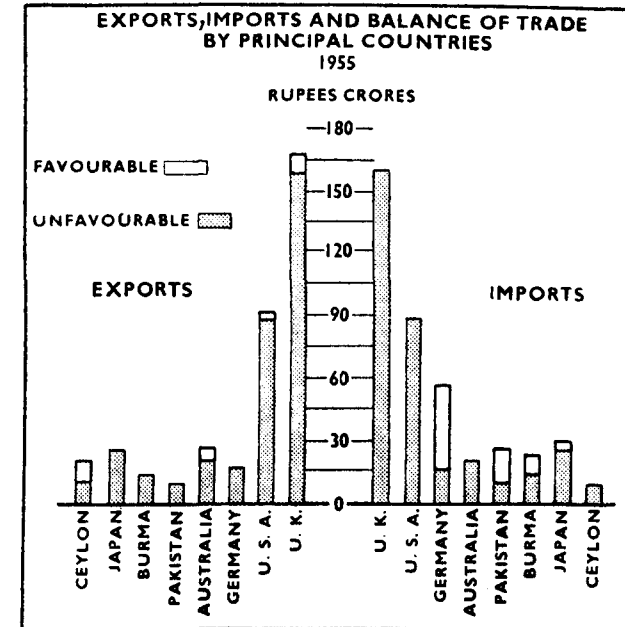
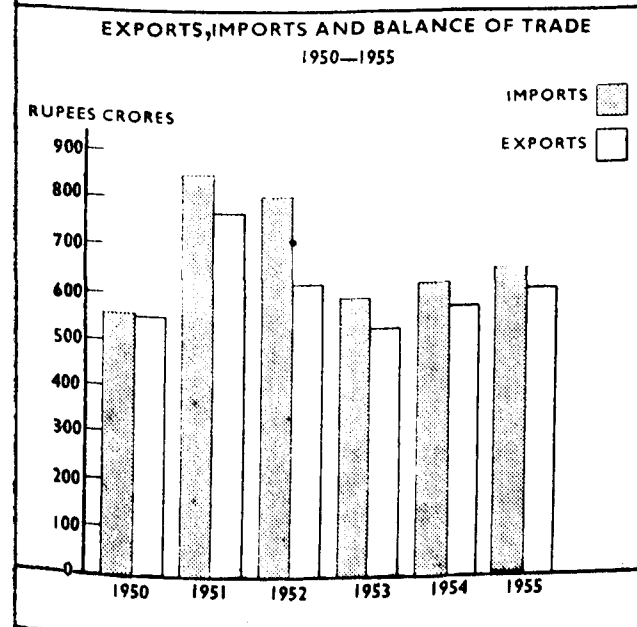
(Base: 1946=100)

Period	General Index	Cotton Textiles			Jute	Coal	Sugar	Paints and Varnishes	Cement	Paper	Matches	Sulphuric Acid	Steel Ingots and metal for castings	Diesel Engines
		Total	Yarn	Cloth										
1947	..	97.2	95.8	94.8	96.2	96.6	103.9	97.6	100.5	93.9	87.8	113.0	100.0	97.1
1948	..	108.4	109.0	105.9	110.5	100.2	103.2	116.5	93.0	100.7	92.4	129.4	133.3	97.1
1949	..	105.7	99.7	99.4	99.9	84.8	108.9	108.5	80.5	136.3	97.4	127.8	165.8	104.6
1950	..	105.0	91.1	85.9	93.8	76.8	110.8	105.8	72.8	169.5	102.7	127.0	170.8	111.2
1951	..	117.2	101.3	95.4	104.3	80.4	118.8	120.8	87.2	207.2	124.4	140.3	178.2	116.0
1952	..	128.9	113.8	106.0	117.7	87.4	125.4	161.9	83.8	229.3	129.7	159.1	160.1	122.0
1953	..	135.3	119.9	110.1	124.8	79.8	124.1	139.9	83.5	245.1	131.8	150.0	181.8	116.5
1954	..	146.6	123.3	114.2	127.9	85.2	127.3	109.2	95.9	285.1	146.5	128.4	251.5	130.2
1955	..	161.1	126.7	119.5	130.0	94.3	132.3	127.8	93.2	285.6	174.4	146.8	275.1	131.8
March 1954	..	138.1	117.2	107.9	121.9	81.6	125.1	97.7	95.5	296.9	127.4	130.7	225.8	134.2
April	..	145.6	126.2	114.9	131.9	83.7	127.9	127.2	95.4	283.7	158.3	114.3	232.7	121.0
May	..	140.3	121.7	110.6	127.2	77.0	121.3	43.3	102.4	285.0	141.0	125.5	234.4	116.2
June	..	146.0	123.9	113.4	129.2	83.3	121.5	..	94.7	278.0	150.3	109.7	231.4	123.1
July	..	150.5	127.2	116.8	132.3	87.2	120.8	..	95.1	278.6	148.2	127.5	261.8	128.6
August	..	147.4	120.2	113.1	123.7	84.5	120.5	..	85.1	261.4	142.1	136.4	290.8	133.2
September	..	152.5	123.7	115.8	127.6	88.2	133.5	293.8	96.8	285.1	149.1	139.4	262.5	125.1
October	..	141.0	111.4	105.5	114.4	81.1	119.0	165.1	89.1	284.1	155.2	125.2	276.1	130.3
November	..	160.9	127.7	120.0	131.5	98.9	139.9	361.3	108.0	290.6	172.5	141.8	262.6	136.0
December	..	165.8	131.6	122.3	136.3	101.5	142.7	154.8	104.6	303.8	181.6	143.2	281.4	139.0
January 1955	..	150.9	124.4	114.0	129.6	90.6	128.5	116.0	104.6	287.6	175.4	145.8	270.0	143.2
February	..	158.7	128.0	118.3	132.9	97.8	146.6	127.0	102.0	307.3	173.2	162.1	263.2	139.3
March	..	163.2	122.9	114.4	127.1	96.0	134.6	193.3	90.6	290.2	167.8	146.4	281.4	135.6
April	..	167.2	125.8	116.5	130.4	95.6	136.1	583.5	82.8	239.5	172.9	151.6	267.1	135.9
May	..	153.6	118.7	111.4	122.4	88.2	129.4	1,400.0	83.0	286.5	154.8	143.5	236.0	130.1
June	..	157.3	125.8	117.7	129.1	95.6	129.5	1,263.6	97.1	259.8	174.7	148.0	224.2	125.1
July	..	159.3	130.8	124.0	134.3	99.8	120.4	..	98.4	266.5	167.6	140.1	289.6	125.1
August	..	156.1	122.6	118.0	125.0	87.9	127.1	..	103.7	285.2	182.0	157.5	285.9	129.9
September	..	166.7	132.6	127.2	135.3	97.5	142.2	543.8	91.9	268.0	186.3	142.1	305.1	127.7
October	..	161.6	129.3	124.8	131.6	85.1	125.7	253.8	110.2	298.0	176.5	139.8	284.9	118.9
November	..	165.2	123.1	119.2	125.1	101.0	130.4	311.0	114.9	313.2	183.8	140.9	309.5	125.7
December	..	176.5	136.9	130.0	140.3	105.1	138.0	173.1	100.0	323.1	177.2	146.4	281.8	143.8
January 1956	..	156.4	124.2	113.6	129.5	96.0	130.2	123.6	118.8	305.8	117.3	140.7	279.9	141.2
February	..	..	132.6	122.4	137.8	107.1	145.6	141.1	..	320.8	175.8	..	..	140.0

*Estimated



FOREIGN TRADE OF INDIA



ATUL

DYES CHEMICALS PHARMACEUTICALS



The Eastern Economist

VOL. XXVI. NO. 25.

NEW DELHI: JUNE 22, 1956.

ONE RUPEE

CONTENTS

	Page		Page
Leading Articles:		Special Articles:	
THE NEW CLOTH POLICY	953	STRUCTURAL CHANGES IN BANKING —1951-1955	971
STATE TRADING IN CEMENT	955	THE AUTOMATION CONTROVERSY IN THE UK	973
MINERAL POLICY: PRODUCTION OR PRELIMINARIES?	956	ECONOMIC REPORT FROM THE US: Business Outlook for 1956	977
THE WEEK'S NOTES	959	The Business World:	
Congressmen's Dilemma in Maharashtra; Mr. Deshmukh's Resignation; Con- fusion in Punjab Politics; British Public Sector in Trouble; Workers' State without Workers' Control; Japan on the Multilateral Road?		The Textile Plan	979
A WINDOW ON THE WORLD:		BUSINESS NOTES	981
Odysseus on 'What is the "Iron Curtain"?'	963	Equal Access to Steel; Automobile Prices; World Coffee Surplus and India; Elec- tricity in the Two Sectors; National Rayon Races Ahead; Suspension of Surplus Cotton By US.	
EUROMARKET AND THE COLONIES	965	COMPANY AFFAIRS	985
WORLDGRAM AND NEWS IN BRIEF	967	COMMODITY NEWS AND NOTES	986
		CURRENT STATISTICS	987

The New Cloth Policy

THE new cloth policy was, appropriately enough, announced at a Press conference this week by Mr. T. T. Krishnamachari in person. No one has laboured more to resolve the bitter political controversy which stands between what it is now fashionable to call "the mill sector" and "the Ambar Charkha." The conflict between the factory system and handlooms in the textile industry is as old as the Industrial Revolution. But the Ambar Charkha, it might justly be claimed, is a modern Indian invention, however antiquated it might look in historical terms. Because it is modern and because it is Indian, its emotional impact in the great debate has been large. It required nearly a year of imaginative stonewalling by Mr. Krishnamachari to convince the Cabinet that a sensible compromise could only be found on the basis that production was not

frozen in the factory sector, which was our sole instrument for the prevention of inflation and the earning of foreign exchange in the yarn and cloth sector.

It is right that a great tribute should be paid to the manner in which Mr. Krishnamachari's philosophy—which, it might be added, is also both Indian and modern—has been translated in the terms of the resolution now accepted. According to this resolution the textile target for 1961 has been raised to 8,400 million yards which, it is believed, will suffice for domestic consumption and for providing 1,000 million yards for export. The Ambar Charkha is to provide yarn for 300 million yards of the handloom sector's 1,000 million yards additional. The handloom sector is to be modernised by the addition of

powerlooms to take production from 1,450 million yards to 2,650 million yards. 3,500 powerlooms are to be added in a pattern of weavers' co-operatives, which will thus test out new techniques with new management, providing, as the Minister for Commerce and Industry has always desired, an element of dynamism in the static sector of cloth production. Finally, 14,600 automatic looms are to be permitted to add 350 million yards of mill cloth designed primarily for export. The battle for rationalisation—which once centred on automatic looms—has thus been temporarily drawn.

The achievements of the new cloth policy are seen to be threefold. In the first place, at least for some years, the futile political controversy between the Ambar Charkha and new spinning factory units has been closed. Secondly, our foreign exchange earnings are not now immediately imperilled, since a 1000 million yards are available each year for exports, with the assistance of automatic looms. Finally, there is contained in the new cloth policy the element of a wage and management revolution in the cottage industry sector, so that it may in time build itself on the basis of a reasonable wage, instead of being as at present merely a vast pool of sweated labour. In these three ways, the Government of India has served all sections of the industry and has earned the gratitude of the whole country.

The only major issue, involved in the new cloth target, is the question of whether the target is equal to Mr. Krishnamachari's general dynamism. At his Press conference this week and again at a notable meeting of the Central Advisory Board for Industries, Mr. Krishnamachari dwelt on the likelihood of the industrial targets—and particularly the targets for consumption goods—being appreciably raised. The first effect of new consumption goods will certainly be to arrest inflation. But it is likely that the proceeds of earnings in these goods will again augment the demand for cloth which has now been showing, perhaps for the first time, a rising rate of response to increases in money income. Estimates which have been made in the Research Section of *The Eastern Economist* lead one to believe that 8,400 million yards of cloth will not meet the demand if the targets of national income in the Plan are exceeded by any substantial figure. This might look like a point of detail, but, seeing that every addition to mill capacity now requires a major political exercise, the possibility that targeted mill production may be seriously inadequate must not be evaded. The best that can be said about the present compromise is that it is politically admirable. If the position is reviewed at the end of 1957 it may be adjusted so as to make it economically wise. But there is nothing in the magic of existing figures which suggests that equilibrium has been continuously secured by an arrangement for supply which bears no precise relation to consumption behaviour. The most that can be said is that this is a pragmatic affair, in which trial and error can alone show the way.

The handloom sector has been given a splendid opportunity whereby it can display its potentialities for absorbing the unemployed in the rural and semi-urban areas. An allocation of 1,000 million yards to handlooms would put all the available genius for organisation of a vastly dispersed industry on trial. Likewise, the expansion of the powerloom sector of the handloom industry,

on the scale envisaged in the new policy, will also throw a challenge to capabilities for organisation. A programme of building up a network of co-operatives with State financial assistance for installing 35,000 powerlooms in a matter of two years has been laid down for the present. It looks ambitious if past experience in the development of co-operatives, and particularly of weavers' co-operatives, can be taken as a proper indicator. There is also another reasonable argument which needs to be heeded. Is it not very likely, as the trend of informed opinion in the trade and industry as well outside shows, that per capita consumption of cloth in the next five years will rise to an absolute minimum of 20 yards? In that event an addition of 600 million yards to the expansion targets now assumed will be necessary and this will raise the question of reallocation of shares of additional production in the sectors of the industry. These are matters of detail which can be effectively tackled year after year as the progress of the textile plan comes to be checked up. But the basic framework of the policy has been laid on sound principles and this is what really matters.

The essence of a dynamic policy lies in its readiness to assimilate changes and modifications which would seem necessary for the achievement of the final goal. The Commerce and Industry Minister has amply explained that flexibility via audit of performance each year would be the basis on which the execution of textile policy would rest. A good deal of attention has been diverted to the issue how far the targets of production that have been assigned to the different sectors in the textile industry are appropriate and some debate has also taken place whether the assumption that per capita consumption will be of the order of 18.5 yards is correct and does not err on the lower side. These are undoubtedly important issues which will affect the implementation of the plan for textiles that has been evolved in the new cloth policy. But they will merit attention at a later stage.

Elsewhere in this issue there appears from our Bombay Representative *Croesus* an evaluation of the new cloth policy, as it looks to the city of Bombay. The picture there is by no means as happy as it looks from Delhi. This need not cause excessive concern. These are only indications that the pressures of cloth politics are still intense. But precisely because cloth has been highly invested with political emotion since Independence, this is the appropriate time to ask for a period of calm in considering the Government's recommendations. *The Eastern Economist* has no major criticism to offer on these recommendations because it recognises that any economic solution to be stable must be set in the appropriate political framework. The Government of India is to be congratulated on having found a solution of many difficult problems associated with the cloth situation, which should be acceptable to the great majority of enlightened persons in the country. Since the greatest cloth for the greatest number is not an acceptable political directive, one must find some other common factor in political agreement. This now is the securing of a certain minimum of production with the maximum placation of the new mechanical deity—the Ambar Charkha. One is sorely tempted to say that all is well that ends well. But since the end is not in sight, one might, perhaps more appropriately, say that tomorrow is another day.

State Trading in Cement

IT is no secret that for some time the Government of India has had under consideration—the Minister implied this at his Press conference this week—the introduction of the State Trading Corporation as a monopolist in the distribution of cement in the Indian Union. Various circumstances have suggested that a uniform price and an integrated selling policy were desirable at a time when acute shortages of cement are likely to be increasingly felt. To admit, however, that because an integrated policy is required, a central public distribution machine is the answer is to take too simple, and, indeed, a not wholly honest, view of a situation which calls for much greater scrutiny.

In the first place, the Government of India's policy in this important industry must be related to the Industrial Policy Resolution which was promulgated just two months ago. In this resolution, the cement industry stands totally outside category A and B and thus, as recently as April 30, the Government of India pledged itself solemnly not to enter this particular field. It is quite true that the Industrial Policy Resolution contained a provision for the control of industries in category C. But it is only in a wildly Pickwickian sense that one can reconcile control as applied to category C industries with the total monopolisation of distribution of their entire product in public hands.

It is clear, therefore, that the Industrial Policy Statement has met with a violation almost from the beginning; there is, indeed, no justification for such a violation if one considers either the performance of this industry or the needs of the situation with which the Government of India is faced. It was the cement companies in the first instance who pointed out to the Government of India as long as twelve months ago that the industry anticipated a shortage and suggested that it should be met by imports; it also undertook to arrange distribution of imports on a no-profit-no-loss basis. It cannot, under any circumstances, be contended that the cement industry has behaved in any manner calling for a violation of the undertaking that the Government of India gave to this industry in the Industrial Policy Resolution. If, indeed, such a violation has occurred, the Government of India owes it to the country to give chapter and verse and explain why it has chosen to revise an undertaking given less than three months ago.

There are two arguments which suggest that this industry requires a great deal of central planning. The first of these arises from the problem of prices. In this case it happens that domestic prices—largely through the efficiency of this industry in India—are about two-thirds of imported prices. Some equalisation of prices is, therefore, mandatory when large imports enter the field. Again, in order to arrange distribution—it is for this end and for this end only that the Government of India is proposing to act—it is desirable that the product should be marketed in a manner which does not do injustice to various portions of the country. The obvious method by which this is to be done is a uniform

price with a rationalisation of movement. The issue involved in the rationalisation of transport is connected not so much with the freight structure as with the economy in the use of transport. This, incidentally, is a consideration which must apply to every field because transport, through every year of the second Plan, will be a serious bottleneck.

All this raises no necessity for a State monopoly in distribution. In the case of the iron and steel industry—this is the obvious pattern to be followed—exactly the same problem of the equalisation of prices, and, to a limited extent, the rationalisation of freights so as to permit of uniform prices is in operation. In the iron and steel industry the Government of India has thus overcome these obstacles without recourse to State trading. It is obvious, therefore, that the contention that the monopolisation of distribution in the cement industry is written into the problem cannot be described as a fair and honest presentation of the case.

It is clear that there must be other reasons for the Government of India's insistence on distribution being placed in the hands of the State Trading Corporation. One of these—and anyone conversant with pressure in Parliament is aware—is frankly political. There was evidence enough during the session of Parliament that the Government of India was anxious to placate that section of opinion which wished to encroach on the private sector. It is known, too, that cement provides a particularly profitable field for such encroachments. In the shortage which at present prevails, the Government of India via the State Trading Corporation can easily net profits by the simple process of ordaining higher selling prices. Thus there is available not merely a political tool by which the Government of India can commend itself to Leftist ideology, but also a fruitful line of profit which may be exhibited at a right moment to cover any other failure on trading account which may visit the State Trading Corporation.

It is right that the country should know the facts. These facts are, firstly, that there has been a violation of a solemn undertaking given just three months ago; secondly, if the reasons which apply are the need of uniform prices and rationalisation of transport as in the iron and steel industry, the ends of the Government of India could have been met as effectively by control as in that case. Finally, if the issue is saving the face of the State Trading Corporation by the raising of prices in order to show profits, these profits will not be the result of trading but of the use of the monopolistic powers of the Government in a form equivalent to taxation. It is right that the principles involved should be debated in the country in the light of these considerations. There is no reason for indecent haste; it would not matter much if the Government's proposals were implemented a little later. *The Eastern Economist* asks that the country should be allowed to express its opinion on these issues before an irrevocable decision is taken.

Mineral Policy: Production or Preliminaries?

THE recent meeting at Bangalore which was designed to clarify mineral policy was useful as far as it went. But it is hardly necessary to say that it did not go very far. The reason for this is not that the Government of India has no mineral policy. It has one in abundance. It is willing to negotiate on its own terms with anyone, without any prejudice in regard to the area of the world or the side of the curtain from which they come. This is appropriate enough as a catholic policy for a neutralist country. But how does neutralism in collaboration assist in the attainment of the targets either of the Plan or of the long-period structure of mineral production against which the Plan is to work? For mineral policy is not a matter of five years only; it is a matter for a generation or two against which alone it will be known if the incentives that the Government of India proposes to put in operation will work.

This, and this only, is the question. Mr. K. D. Malaviya is to be given credit for a vast amount of personal enthusiasm which he has thrown in his task. But enthusiasm of itself cannot work miracles; nor, indeed, can agreements of which he has been the architect. There have been two major agreements with the USSR for launching a programme of exploration of mineral oil in Punjab and Rajasthan. They are concluded in pursuance of the recommendations made in the interim report of the team of Russian experts which have been accepted by the Government of India in substance. The broad framework of the policy of exploration is to start operations simultaneously, or more or less so, in different areas, the operations taking the form either of actual exploration or preliminary preparations. Precedence has been given to exploration in Jwalamukhi and Jaisalmer areas. The Soviet Union has undertaken to supply complete equipment for two oil drilling rigs along with accessories and spares, the latter to cover the requirements of one full year. Two teams manned by twenty-two experts each are to be deputed to assume charge of drilling work until responsibility is handed over to Indian nationals under training. The drilling rigs under this agreement are scheduled to be delivered by the end of 1956. Another agreement entered into immediately afterwards incorporates the same terms but provides for the supply of one oil drilling rig to be delivered three months later. This marks the first experiment of oil exploration in the public sector under departmental auspices.

If agreements alone were capable of supplying incentives and of overcoming technical or any other bottleneck, here, indeed, would be a talisman with which Mr. Malaviya could go happily to work. The truth is, however, there are no talismans in mineral policy. Like industry of all kinds, one must have the requisites of production. These are no other than what they have always been, capital, management and know-how and technical skills. No agreement which the Government of India has set out bridges all the gaps which exist in the mineral field. Even the agreements with the Soviet Union in their limited context of drilling operations do not go far enough. There are stipulations in both of them for the training of Indian nationals for which a minimum period of six months has been laid down. Very likely a longer period may be required to raise a cadre of

Indian technicians in this limited preliminary operation. But the real problem of setting up elaborate organisations needed to conduct the highly risky enterprise of production of oil has not been faced.

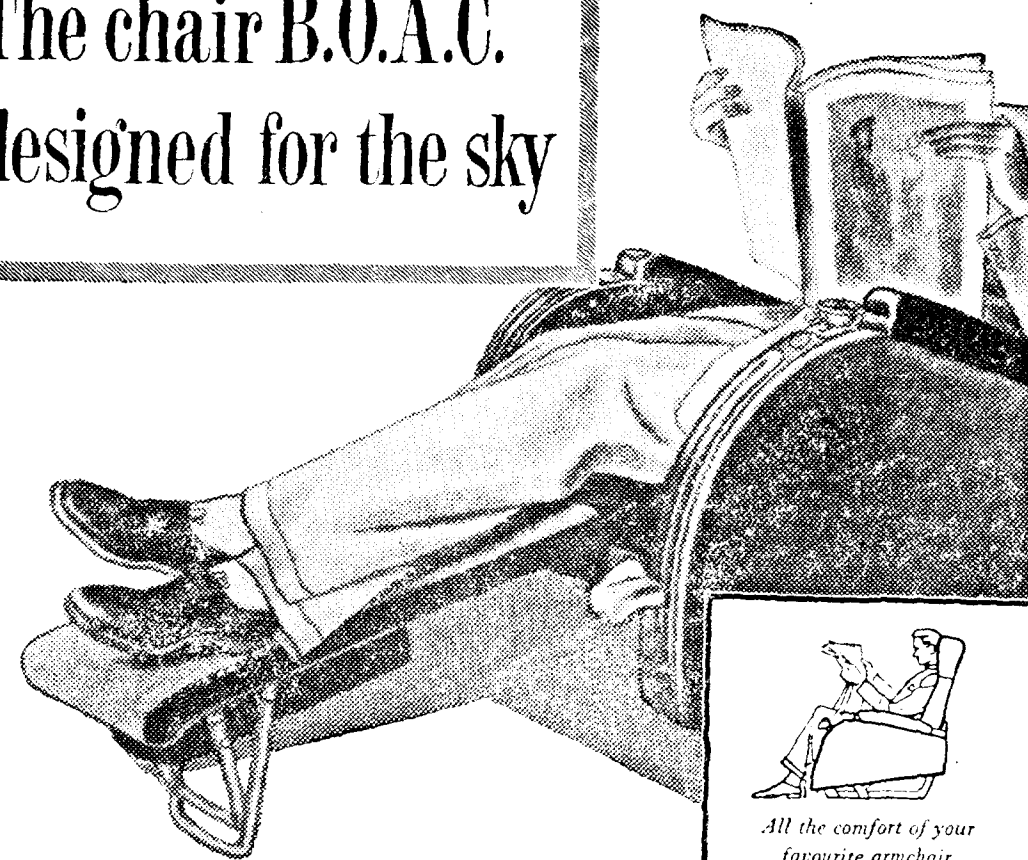
Oil exploration is something of a gamble and the actual outlay may swell to any figure. This is illustrated in the tentative estimate of the Russian experts which puts the cost of exploration at an amount three times the amount around Rs. 10 crores allocated in the second Plan. The protracted negotiations with the Assam Oil Company for the formation of a Rupee Company raise this problem of finance. If oil production is to remain almost exclusively in the public sector with partial room for foreign collaborating companies, the necessary investment of a large magnitude must get priority in the allocation of resources. But this is certainly not the end of the problem. Managerial and technological resources will have to be found on our own to the extent it may not be possible for us to induce them from abroad. It is hardly likely that a bold ambition of this character is contemplated. It means that co-operation in a high degree for technical and similar purposes will be essential from foreign enterprises. This is obviously a function of incentives on a full scale.

The conclusion is obvious, and that is that Mr. Malaviya is promulgating a policy unrelated to production. The Ministry of Natural Resources has got itself so involved in spacious agreements that it cannot recognise that it is down-to-earth production management which is required. Who is to provide this management? The Russians? The Americans? The Assam Oil Company? If so, why are they not more forthright in their declarations of their capacity?

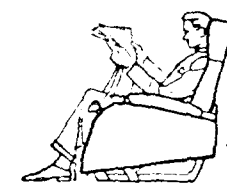
The Russians, as far as can be seen, have produced an excellent technical report, but have not made promises. How can they? They have not yet located oil, which is only believed to be in the bowels of the earth. Nor, indeed, has the Standard Vacuum Oil Company, whose optimism on West Bengal has been a little dimmed at present. Only the Assam Oil Company has tapped oil in comparative plenty. This is no accident, because they have been working in the area for over forty years; showing that time is the essence of the piece. But even the success of this Company has not prejudiced Mr. Malaviya in its favour. The successful and the unsuccessful are equally kept at a distance while the new mineral policy finds its shape. Thus the Assam Oil Company has not been able to conclude its agreement for a Rupee Company which has been under discussion for over twelve months. And yet here and nowhere else is the issue of production in the period of the second Plan.

Production can only come when the preliminaries to production are complete. If the preliminaries to production take two years it is anybody's guess when production will reach the target. Meanwhile, Mr. Malaviya's time is running out; the country wants production, not excellent and inspiringly neutral agreements. Cannot the Minister of Natural Resources be as successful in production as in hard negotiation? Hardly, if he fails to conclude production agreements. Exploration is only the first stage. Alas! it is not necessarily followed by the second.

The chair B.O.A.C.
designed for the sky



'Slumberette' luxury by
all B.O.A.C. First Class
Majestic services



All the comfort of your
favourite armchair



Maximum relaxation—with
plenty of leg and elbow room

Not only does B.O.A.C. offer you marvellous food and wines and really personal service... you'll enjoy the foam soft luxury of fully-reclining "Slumberettes". They're wonderful to sit up in... blissful to lie back and sleep in... scientifically designed to give you maximum comfort all the time. Much greater space between rows of seats—only 30 passengers on board—gives you spacious roominess. Sleep when you will in a luxurious full-length "Slumberette"—a superbly restful bed—and arrive at your destination fresh and well rested. Consult your local travel agent or B.O.A.C. offices at Calcutta, Delhi, Bombay or Madras



All over the world

B.O.A.C. takes
good care
of you

BRITISH OVERSEAS AIRWAYS CORPORATION

THE WEEK'S NOTES

CONGRESSMEN'S DILEMMA IN MAHARASHTRA

THE RESOLUTION passed by the Maharashtra Pradesh Congress Committee on the future of Bombay leaves open a question which one thought would remain closed for at least five years after the Prime Minister's recent unequivocal statement. In proclaiming that Bombay city is part of Maharashtra, but that it should not be given the right to decide its future, the M.P.C.C. has unwittingly weakened the Maharashtrian case, for if the claim is so very strong, why should the result of a popular vote be feared, as seems to be the case? The Prime Minister's formula for resolving the issue had taken into account Maharashtra's desires and aspirations, and it had been devised only to ensure that no irrevocable decision is taken in the present atmosphere of tension. Instead of trying to assure the other sections in the city that they will have nothing to fear from Bombay city joining Maharashtra, the present demand of the M.P.C.C. will not fail to cause misgivings in many quarters.

The dilemma of the Congress in Maharashtra is understandable. Having roused the mob, the Congress leaders there are unable to control them and are viewing with concern the other parties taking advantage of the passions that have been roused. To refuse to go along with the popular current would spell ruin and disaster to the political careers of many of them. Even as it is, it is uncertain what the future political set-up in Maharashtra is likely to be. The Congress's future in that State is none too bright, and it is understandable if some of the leading members of the party try to salvage as much of their personal and the party's reputation as possible; and to echo the growing demand for the immediate merger of Bombay in Maharashtra appears to them the only way. But how long and how well can such leadership, fearful of giving a correct lead in grave crises, serve the people well? To serve as mouthpieces of misguided, inflamed sectional public opinion may serve one's interests all right, but it certainly cannot serve the national interests, and the national interests, which should not be confused with the interests of a particular State or linguistic area, now demand that the leaders of Maharashtra discard their sectarianism.

MR. DESHMUKH'S RESIGNATION

WHERE THE M.P.C.C.'s attempt to resolve the dilemma facing Maharashtra Congressmen by permitting Ministers to resign their offices will lead, it is still too early to predict. But the High Command's reported decision not to allow such resignations should cause such of those who had intended to leave their posts to pause and re-examine their position. If the claim of Maharashtra for the inclusion of Bombay city is strong, there is probably a stronger case for postponing such integration to a date when linguistic fanaticism will have relaxed its sway.

The decision of India's Finance Minister, Mr. Chintaman Deshmukh, to resign is, however, on a somewhat different footing. It had become known even before the M.P.C.C. started its agitation that he was opposed to the exclusion of Bombay from Maharashtra and had offered his resignation. If he had not pressed it up to now, it was because he was hoping, with other Congress leaders in New Delhi, that an acceptable formula could be evolved. His decision now to press his resignation should not cause any surprise, though there is bound to be regret that he is leaving office at this juncture in the country's affairs on an issue of this nature after the Prime Minister's assurance. It is reported that he will not be covered by the High

Command's latest decision, but there is bound to be discontent among some at least of the other Maharashtra Ministers if they are not allowed to follow in the footsteps of Mr. Deshmukh. Reflection shows that such resignations cannot achieve much beyond vindicating the stand of the particular persons concerned.

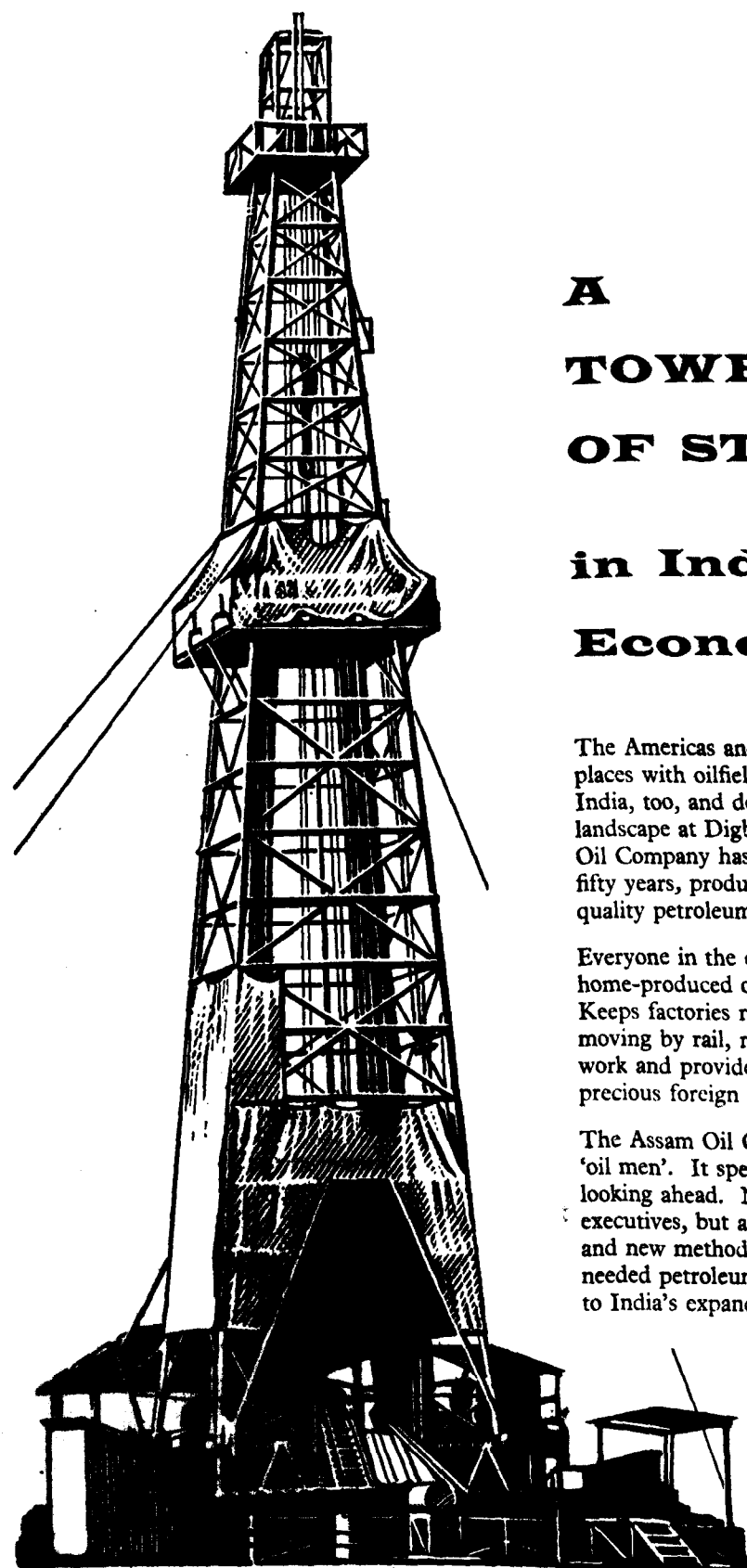
CONFUSION IN PUNJAB POLITICS

THE REGIONAL formula for Punjab, evolved after long deliberations, is blurred by mutual suspicion and prejudice. The formula seeks to give special position to Hindi and Gurmukhi in respective regions without complete exclusion of any. But the Mahapunjab Samiti is opposed to Gurmukhi as against Hindi. Punjabi as a regional language commands as much a special position as any other recognised regional language and Hindi has its importance in the regional as also the larger national context. It is unfortunate that a new cult of linguistic hatred is developing in the country. The SRC report has dwelt at length on the protection of the culture of linguistic minorities and development of languages and they have been substantially accepted by the Government. It is, therefore, meaningless to continue to oppose the formula merely on the plea that Gurmukhi will suppress Hindi. This is certainly not the time to fritter away energies on small issues. And in any event violence cannot be allowed in furtherance of any grievance, real or imaginary.

In the midst of the din of appeals to religious and linguistic sentiments came Sardar Gian Singh Rarewala's bold call for the Akali Dal's merger with the Congress. But the call has not found favour with the executive of the Dal. Master Tara Singh wants the Akali Dal to continue as a political as well as a religious organisation. Nobody can have any objection to the Dal's continuance for the cultural and religious development of Sikhs. But it is unrealistic to mix religion with politics and sow confusion. In a democratic and secular country like India, it is always essential that more than one political party functions. But an effective political party cannot limit itself to the narrow confines of a particular community. The working of democracy becomes difficult if political parties are dominated by religious viewpoints. In the interests of the country as a whole, politics and religion must keep apart. Sardar Rarewala's move is commendable, but it was extremely unlikely that he would succeed in converting the Dal to his viewpoint. The initial reverse should not, however, deter Mr. Rarewala from persisting in what appears for the time being an unpopular mission. If he succeeds in gaining support for his move, he will have done a great service to the country as well as to his community.

BRITISH PUBLIC SECTOR IN TROUBLE

BRITAIN'S NATIONALISED industries are obviously in a bad way, and the 'autonomous' corporations in charge of them are being subjected to increasing political pressures. An active policy of intervention by the Government in the commercial policy of the corporations has, therefore, been partly accepted. Wage increases in some of the nationalised industries have recently been followed by price increases. In March last, rail freight rates and canal and dock charges were increased by 5 per cent. Four weeks later increases in post and telephone charges were announced. Last month an 8 per cent rise in coal prices was announced, making a total of about 26 per cent in one year. As further wage increases are now demanded on the railways and, probably, in the coal mines, a greater measure of Governmental interference in these industries is foreshadowed.



A TOWER OF STRENGTH

in India's Economy

The Americas and the Middle East are not the only places with oilfields! Oil is produced here in India, too, and derricks are a familiar part of the landscape at Digboi in Upper Assam. The Assam Oil Company has been operating this oilfield for over fifty years, producing some 300,000 gallons of high quality petroleum products daily.

Everyone in the country benefits from this flow of home-produced oil. It speeds food production. Keeps factories running smoothly. Keeps goods moving by rail, road, sea and air. Takes people to work and provides work for them—as well as saving precious foreign currency.

The Assam Oil Company itself employs over 8,000 'oil men'. It spends much time and money in looking ahead. Not only in training technicians and executives, but also in finding new sources of oil and new methods of processing it into the much-needed petroleum products which are so vital to India's expanding economy.



A member of the
Burmah Group of Oil Companies

ASSAM OIL
COMPANY

does
it
all

Representatives of the Federation of British Industries and the British Employers' Confederation are reported to have told Sir Anthony Eden last week that "Government's exhortations to the private sector of industry to reduce profit margins and keep prices stable lost much of their force when they were accompanied by frequent large price increases in the public sector." How could private industry, they asked, keep down costs or prices of goods and services while the prices of basic materials and services, over which they had no control, were steadily raised by nationalised industries?

If the wages question should unfortunately lead to increased political interference in the working of public corporations, the more important problem of efficiency, it is feared, might recede to the background. It is recalled in this connection that managerial standards in the nationalised industries are deplorably low. Absenteeism in the coal mines is now much higher than in the pre-war years; B.O.A.C. has not succeeded in obtaining even 10 per cent of the North Atlantic passenger traffic; British railways has not improved technically although in 1939 it was one of the most efficient; and, above all, British Electricity takes up to 100 per cent longer to build a power station than did British private companies before the takeover. It looks as though excessive labour demands and technical or managerial inefficiency together could discredit nationalisation more easily than any ideological argument of the advocates of private enterprise.

WORKERS' STATE WITHOUT WORKERS' CONTROL

THE EMERGENCE and growing power of a new privileged class in the "Land of Socialism" is a familiar theme, and the only apology for returning to it here is the current availability of information on the social composition of the Communist Party of the Soviet Union and its Twentieth Congress. As of January 1956, the C.P.S.U. comprised 7.2 million members in about 350,000 local organisations of which 43,000 were in industry and 80,000 on collective farms. The army alone accounted for anything between 15 and 20 per cent of the total membership of the Party. Some 15 per cent of all the members had a higher or uncompleted higher education, 52 per cent a secondary or uncompleted secondary education and 33 per cent an elementary or uncompleted elementary education. Although there were rank and file workers and collective farmers in the 33 per cent with little or no education, the percentage of the working class and peasantry was demonstrably low. Even the few workers and collective farmers entering the Party ranks soon ceased to be workers and collective farmers. While the proportion of the urban and rural proletariat tended to fall steadily from 1952, there was an enormous increase in the representation of the technical bureaucracy. Thus, in January 1956, there were 1.9 million specialists with a higher or technical secondary education in the Party. These specialist-officials, it may be noted, are the 'commanders of production'. M. Khrushchev's resolution at the Twentieth Congress suggesting that more of the 'progressive representatives of the workers and collective farmers' be accepted, is a further confirmation of the indubitable fact that the 'workers' and 'peasants party' has become a party of higher and secondary bureaucrats.

This social make-up of the C.P.S.U. was naturally reflected in the Twentieth Congress also. Of the total of 4,355 delegates, 506 were Party officials, 177 Government officials and 20 trade union representatives and Komsomol officials. Thus 52 per cent of the delegates

were members of the administrative bureaucracy, which therefore had an absolute majority. Of the remaining 652 delegates, 438 were directors of trusts, factories, works and mines, highway administration officials, directors of State farms and machine tractor stations, and some factory foremen and collective farm chairmen. Thus, in all, the higher bureaucracy, together with the intermediate-level economic bureaucracy, comprised 84 per cent, the military group, all officers, 8.5 per cent and the group of ideological leaders 7.5 per cent. Whither, one may ask, are the rank and file workers and peasants gone? Perhaps it may be easier for a camel to pass through the eye of a needle than for a poor worker to find a place in any of the higher organs of power in the 'proletarian democracy'.

JAPAN ON THE MULTILATERAL ROAD?

THOUGH JAPAN does not appear to have permanently switched over to multilateral trade, her recent move to provide for cash settlements in her usual bilateral agreements with countries outside the dollar and sterling areas is described as a significant first step in the right direction. These bilateral agreements have always provided for a flow of trade of roughly the same order in each direction with each of the 'open account' countries and required all payments arising from transactions with each of them to be channelled through clearing agreements so that Japanese purchases from these countries could be paid for in a form of foreign exchange that could be utilised only for financing spending within Japan itself. As existing bilateral agreements fall due for renewal, Japan is consenting to replace the clearing account method of payment by one which provides for cash settlement in some mutually acceptable medium of exchange. This switch-over has recently begun with the conclusion of a new payments agreement with Western Germany laying down that business transactions between the two countries are to be settled in the German mark or the pound sterling. Japan has also concluded a new agreement of a similar kind with Italy and introduced the cash settlements formula into payments agreements with Sweden, Argentina, and Thailand. As existing open account agreements with Brazil, the Netherlands, Indonesia, Finland and France expire, they are also likely to be revised so as to substitute cash settlements for clearing accounts. As far as the sterling and dollar areas are concerned, Japan is already agreeing to arrange her trade and payments in such a way as to achieve a broad balance with each of the areas as a whole instead of with each country in the two areas.

It may be noted that the trade pacts, just revised or due to be revised, are still designed to achieve a bilateral balance in transactions with Japan's main trading partners. But the introduction of the new form of settlement means that in case Japanese imports from another country cannot be kept in equilibrium with her exports thereto, the difference can be settled in a form of foreign exchange that can be utilised for financing payments transactions with other countries. If, in practice, the new arrangements enable deficits in payments transactions with some countries to be disposed of by utilising the proceeds of surpluses with others, Japan may be less disposed to press for a bilateral balance in her trade agreements. However, the speed at which Japan can move away from bilateral principles and practices may also be determined partly by the willingness of some at least of Japan's trading partners to grant liberal access to their markets to Japanese traders. Here, at any rate, the prospects are not stated to be quite bright, for Japan cannot, even if she wants to, unilaterally bring about a full switch-over from bilateralism.

STATE BANK OF INDIA

Successors to the Imperial Bank

Bank with the State Bank

OUR country is planning for prosperity. This cannot be achieved unless the interests of the small depositor, the small trader and the small producer alike in towns and in the countryside receive the same consideration that is bestowed on the more affluent constituents and the larger industrial units.

You are not perhaps aware that the clientele served by the State Bank of India consist predominantly of persons of modest means and modest requirements. It is on the broad and secure foundation of their patronage that the Bank's structure has been built and will continue to rest.

The State Bank's services are many-sided and it would interest you to know that your varied plans and activities—no matter how small they be—can be made to run more smoothly with the help the Bank can offer.

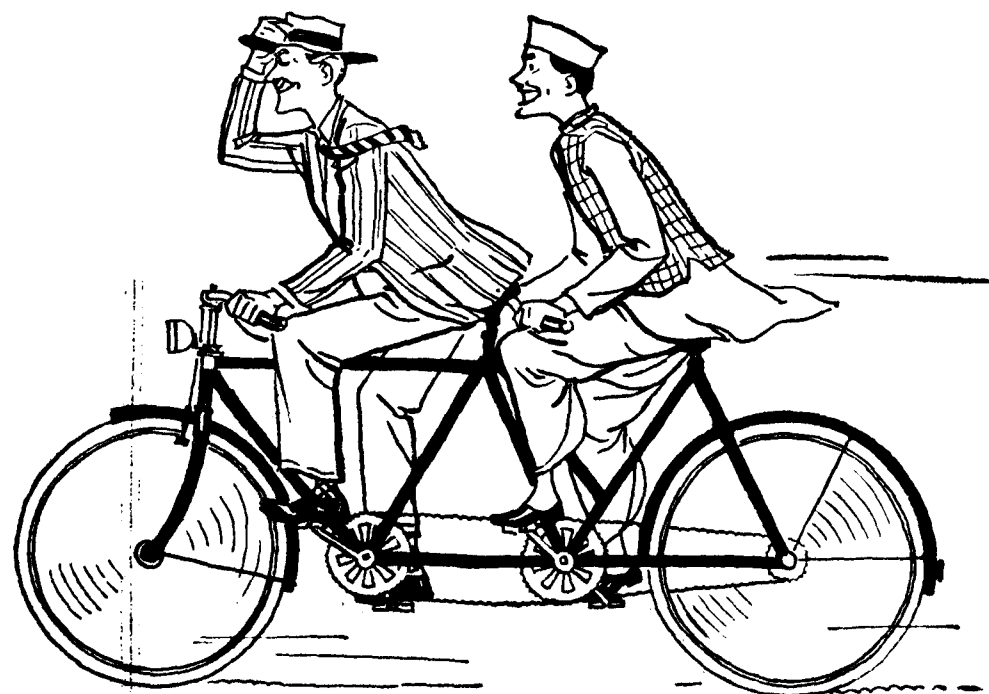
Why not talk things over with your nearest bank agent, or write for information?



The State Bank's branch at Delhi, one of more than four hundred offices waiting to serve you throughout India

STATE BANK OF INDIA

Largest of the Indian Joint Stock Banks



Old fashioned? But it's still very useful

VINTAGE MODEL YOU SAY. OR perhaps you haven't even seen one. Well that's old fashioned partnership which we still find very useful.

Ever since the days when tandem cycles were the vogue, Indian Aluminium Company and its Canadian associate have ridden the road together. Today Canadian technicians are design-

ing and helping to erect a new aluminium smelter at Hirakud, that will more than double India's aluminium production. Canadian money too is helping to pay for the project, to finance a part of which the Company proposes to issue new capital.

Together we travel—an old pair on a new road.

**Indian Aluminium
Company Limited**

A Canadian-Indian Enterprise

LA 896

A Window on the World

WHAT IS THE "IRON CURTAIN"?

By

ODYSSEUS

IS THE IRON CURTAIN LIFTING?

I am ready to answer: Yes. But with such qualifications as may enrage the vast numbers of decent folk whose one idea is to live and let live and to forget about atom bombs. These friendly folk are angered by what they regard as the gratuitous distrust with which the Anglo-American leaders greet every Soviet gesture. The USSR have but to announce the demobilisation of a million men for western leaders to point out that (1) the Soviets are not inspired primarily by a desire to ease international tension but by their shortage of industrial manpower; (2) the demobilised million constitute trained reserves who can be remobilised within 48 hours; (3) the value of conventional weapons having fallen, the money spent on maintaining these men in an old-fashioned army is better spent in employing them in the manufacture of atomic armaments.

Before we can decide whether the Iron Curtain is lifting we need to remind ourselves of what exactly it consists, for the "Iron Curtain" is one of those labour-saving, shorthand phrases that we use to avoid having to repeat the same explanations of fact every time that we need to refer to them, and there is always the risk that it will become a thought-avoiding piece of woolly mindedness.

In democratic countries, every citizen has a constitutional right to travel around the world as he will. No democratic country gives itself the legal right to withhold a passport on ideological grounds. I know that attempts are being made in the USA to withhold that passports on such grounds but it is vital to note that these cases have aroused widespread protests in the USA and among the democracies because of their illegality, and that they have embarrassed not only the State Department but democrats in all countries. Moreover (a) these protests, (b) this embarrassment, and (c) the world-wide publicity given to (a) and (b) are three basic facts illustrating the gulf that separates a democracy in which protests, embarrassment, and publicity are possible, from a totalitarian state in which they are unheard of. If a democracy withholds a passport on political grounds it is violating a right, whereas in a communist state a passport is not a right but a privilege granted to those who have to go abroad on state business or on officially sponsored delegations. You will find no protest in "Pravda" against the withholding of passports from anyone, nor is the Kremlin ever embarrassed by indignation meetings in satellite countries.

EMPIRE OF FEAR

The Soviet state is obsessed by distrust, not merely of foreigners but of its own citizens. The latest evidence for this well-established fact is to be found in the outstanding book "The Empire of Fear" (A. Deutsch, London, 1956, 18sh.) by Vladimir and Evdokia Petrov, the Soviet diplomats who sought political refuge in Australia in 1954. As to their credibility as witnesses, here is what the three judges who made up the Australian Commission which examined their case have to say:

"During the many months of our enquiry, we have had the credibility of the Petrovs under constant scrutiny. In this regard, they started with a heavy handicap: they were persons who had deserted their country

and its services and were prepared to divulge its secrets.... both of them had become dependent for their protection and subsistence on the Australian Government, a fact which might induce them to invent or embellish evidence to please that government; the vicious attacks on them by some Communists and like-minded persons in the Court room and in a section of the press might cause them in revenge to strain their evidence. Such considerations made it imperative that we should scrutinise their evidence and assess their credibility with the utmost care. But during the long period in which they gave evidence we had many and extraordinary opportunities of testing their credibility and their accuracy.... During that time we had their demeanour under constant scrutiny.... and their evidence was capable of being checked, and was checked, in a variety of ways at a multiplicity of points.... We feel that in the final result we should find, and we do find, that the Petrovs are witnesses of truth. We also find their accuracy to be of a high order...."

If the Petrovs are "traitors", we ought to enquire why it is that no other country in the world emits such a flow of "traitors" as the USSR. To rebut this by referring to Burgess and Maclean, or Nunn May, merely brings the point into clearer focus. First, because the "traitors" of the free countries are a few isolated cases compared with the tens of thousands who desert the USSR. The official records of the UNO show that in 1951 alone no fewer than 12,000 people abandoned their families and possessions, and risked being shot by Iron Curtain frontier guards, to escape to the free countries, and it has been calculated that for every one who gets through between eight or nine are shot or caught, which means that the 12,000 were survivors of about 100,000 starters—I repeat these figures are for the year 1951 alone. Secondly, the "traitors" from the free countries went over to the Soviet camp because they had come to believe in the Communist ideology, i.e., they were driven by some inner psychological compulsion, whereas all those who have sought refuge in the free countries were driven by fear for their lives, i.e., by an exterior compulsion—the Soviet regime itself. It is a devastating criticism of that regime that it drives its own children to flee from it. Equally, it is a legitimate point in favour of the democracies that not one citizen has ever been driven to flee from a democratic country by fear, or indeed to flee from any other motive. (I do not, of course, count voluntary emigrants who leave one country to better themselves economically in another: such migration has nothing to do with politics or with fear).

Petrov observes that in all his 21 years as a professional State Security Officer he never came across one authentic case of foreign espionage in the Soviet Union in peace time. Yet thousands of Soviet citizens were charged with espionage against their own country, and shot for it. Public scapegoats like Zinovieff, Yagoda, and Beria, were invariably accused of being British or American agents, without a shred of evidence. Yet, according to the ceaseless warnings of the Soviet authorities, the USSR is so riddled with foreign spies that vigilance alone saves it from destruction! The fact is that the vast machinery of Soviet State Security is basically directed not against foreigners but against the Soviet people themselves. Its

task is to prevent Soviet citizens from developing sympathy or admiration for other foreign countries and to suppress all criticism and protest against the government.

All this is what we mean by the expression the "Iron Curtain." Observe that if the Iron Curtain shuts off Soviet citizens from contamination by foreigners, it simultaneously cuts off Soviet officials and leaders from first hand information about the outside world and understanding of its motives.

EFFECTS OF THE IRON CURTAIN

The miscalculations in Soviet policy that arise from this ignorance are among the more alarming factors in international relations today. One manifestation was the inability of Mr. Khrushchev to understand why the British Socialist leaders thought it necessary to ask him to secure the release of the several hundred Central European Socialist leaders imprisoned without trial for the expression of views. Mr. Khrushchev's continuing anger on this point is a measure of the depths of his incomprehension of the humane, democratic outlook. Nor can the incident be dismissed as minor, because it may affect Soviet policy towards Britain and the Commonwealth when next the British Socialists return to office.

These are the qualifications that should be made when conceding that the travels of Messrs. B. and K., and the slightly greater exchange of delegations now obtaining, will do something to ease international tension. Despite all the difficulties of carrying on a conversation through an interpreter, certain elementary facts cannot have escaped Mr. Khrushchev's observation: e.g. the high standard of living of the British working classes, the multiplicity of television aerials, of motor

cars, milk bottles, and the masses thronging the well-stocked shops.

But if I conclude with the warning that progress in Soviet understanding of foreign policies and motives can only be slow, it is not mere anti-Soviet-mindedness but a reminder of the moral to be drawn from Russian history. For it cannot be repeated too often that neither leopard's nor nations change their spots (at least not overnight).

Few realise that the passport system is a Russian invention, and that Czarist Russia maintained it, not as the democracies do today because they have got tangled up in bureaucratic red tape, but to prevent free intercourse between foreigners and Russians. The Soviet-born wives who have been prevented from leaving the USSR with their foreign husbands are the great-grand-daughters of those who were not allowed to leave Russia with their foreign husbands in the seventeenth and eighteenth centuries. There is nothing new under the (Russian) sun.

The methods of the despot—the absence of the rule of law, forced labour, exile in Siberia, government by the terror of secret police—are not typical of the Soviet regime but of something deep and persistent in Russian character and history. What the causes are I do not know. But if there is to be a cure, it will be spread over generations rather than years. For a detailed, authoritative, and up-to-the-minute account of the symptoms of the disease that has made the Russians such uncomfortable neighbours over the centuries, I refer you to the Petrov's deeply moving "Empire of Fear".

[This is the final article in the series "A History of the USSR Since Stalin's Death" (June 1), "What Goes on in the USSR?" (June 8), "The Duration of the B. and K. Era" (June 15).—Ed.]

EUROMARKET AND THE COLONIES

(From Our Special West European Correspondent)

PARIS, June 15.

NEXT Tuesday, June 26, the six powers who constitute Little Europe will meet again in Brussels to continue their negotiations for (I quote the communique issued after their meeting in Venice last month) "a treaty instituting a general common market and a treaty creating a European organisation for atomic energy". Though this agenda sounds very bold and determined, the actual elaboration of such treaties probably lies a long way in the future, while the implementation of whatever treaties are eventually drafted probably lies so far in the remote future as hardly to matter. But this sceptical attitude could be proven wrong, and even in so far as it is justified it does not exempt us from examining the likely consequences of such treaties for Europe and the rest of the world. I am concerned here and now only with the proposal for a "general common market"—that is, a European customs union—and more particularly with the impact of a Continental customs union on the Asian and African dependencies of the six powers.

New Delhi has appointed herself (and the appointment has been ratified by most of the world) watchdog and custodian of the colonial dependencies of West European imperialism. This role demands some provision of economic and political developments in those territories. It is the purpose of this despatch to suggest that a common market in Europe would have such extensive effects on European colonies as to deserve the close attention of anyone interested in the fortunes of dependent territories. But first it is necessary to recall what the common market plan means.

Euromarket (to use the twin neologism of Euratom) foresees that within a space of 12 or 15 years the six countries of Little Europe (France, West Germany, Italy, Holland, Belgium and Luxembourg) will progressively eliminate all customs barriers between themselves, will unify their customs tariffs with regard to the rest of the world, and will abolish all quotas, restrictions and the like that hamper the free movement of goods within the area. The intention of the proposal is to constitute a common market of 150 million people which would compare in size with, and in many respects exceed in resources, the two other great common markets of this earth, Russia and the United States. It is an attempt to unscramble the protectionist omelette, and to restore the advantages of free trade and the division of labour over an area big enough to matter in an era of economic gigantism. It is the twin (but by no means the Siamese twin) of the proposal for the joint exploitation of atomic power by the same six countries.

Obviously there is much to be said about such a plan in its purely European aspects, but I will content myself with observing that it is in essence a proposal for synchronising rates of inflation in an area where inflation has so far been a domestic matter, and that its slim chances of early and literal realisation are the results of the extremely complicated inflationary practice in the most inflationary of all Little European countries—France. However the point that concerns us now is that four of the powers in question possess colonial dependencies to the number of 20 or so (Luxembourg and West Germany are the only two without colonies), and in the latest version of Euromarket the idea is to include at least some of these territories in

the common market. This was not the idea at first, but in Venice at the end of last month this proposed extension gained favour and will be included in the Brussels discussions next week. If any large number of colonies were included in the common market, the economic consequences could be felt all around the world, from New Guinea in both directions to West Africa, because French, Dutch, Belgian and Italian dependencies circle the globe.

Indeed many of the colonies would automatically fall into the common market, supposing Euromarket were realised, because they are already part of a common market with one or other of the Little European powers. This would happen, for instance, quite apart from any decision on the point, in the case of France and Tunisia, which is not even a French dependency any longer but which does have a customs union with France. If France now entered a common market with Italy, Germany and the rest, presumably Tunisia also would form part of the same market, and would thus be able to import goods duty-free from the other five Continental countries and would have to sell her exports in the same common market. At least, if anyone has thought of a method whereby France could belong to two customs unions which were yet watertight from each other, I have not heard of it—and if such a method exists, I would like to know what the Tunisians think of it.

So the question of the relations between Euromarket and the European colonies is bound to arise sooner or later. The first and most obvious result would be to end each metropolitan power's monopoly in the supply of goods to its colonies, which would thereafter be free to seek their supplies in any of the six member-countries of Euromarket. This would obviously be a boon to a French dependency which would theoretically be able to replace expensive French imports with cheaper German ones. But of course this is only a first, and misleading, impression: the truth is that if Euromarket were to last more than a few weeks in Europe itself, French exports would no longer be more expensive than German, because the whole meaning of a common market is that prices are equalised. As Le Monde Economique et Financier said lately, thinking of French markets in the colonies, under Euromarket: "Either we are or we are not able to stand up to competition (within a common market), but if we are, then that will be the case everywhere" (that is, in the colonies as well as in Europe). The gain to the colonies would be no less real; only, it would not consist in replacing the mother country's exports by another's but in seeing the mother country's prices brought down by the common market to the lowest prevailing level.

But this gain would be balanced by a loss which in many cases would be substantial. Many colonies sell their own exports in the protected market provided by the mother country, where prices often rule much above free world rates. Thus, as Le Monde pointed out, the artificially isolated French market offers French colonies prices that are 20 per cent, 25 per cent or even more, above the free world prices for such products as sugar, coffee, cotton, groundnut oil, zinc and nickel. But in a common European market, Italian and Belgian cotton mills are not going to pay fancy prices for cotton from a French colony, and French mills which have to sell in competition with

TO



San Francisco

Fly the finest...

FLY TWA

TRANS WORLD AIRLINES

ASIA • AFRICA • EUROPE • U.S.A.

them will not be able to do so either. Since imperialism is never wholly in favour of the metropolitan power against the colony (whatever colonial denouncers of "exploitation" pretend), we may assume that all the colonies have some vested interest in the protected market of the mother country, and so all stand to lose something in a common European market. And it must never be forgotten that in practice Euromarket would mean that the four imperialist countries would be struggling to get their prices down to the level of West Germany, which has no colonies and buys in the cheapest market, quite apart from any sentimental or political considerations.

At this stage some Indian reader will exclaim that Euromarket at its most perfect would mean nothing more for the colonies than British free trade meant for the Empire a century ago; the same advantages and the same risks. To an extent that would be true, but only to an extent because the world has changed

a lot in that century. Most of all, the manner of investment has changed. And it is here that Euromarket would most seriously upset the colonial economies. Over 80 per cent of French investment in the French Union today is made by the State, not by individuals and companies out of their savings. These State funds come from taxes and are thus reflected in French prices—and if prices are to be equalised throughout Euromarket, German consumers will not consent to the elevation of prices for the purpose of financing French subsidies to African colonies.

Though I have merely scratched the surface of a large problem, this is perhaps enough to suggest that Euromarket is not an experiment that will be limited in its effect to the Continent. While Little Europe confers next week in Brussels, may be Asian and African economists should be working out the consequences of Euromarket for themselves and their neighbours.



MEN WHO WILL MOULD OUR FUTURE

Our scientists are the pilots of our destiny... the men who will chart our industrial progress. And in order to provide them with every equipment and facility, 11 National Laboratories were established in the First Plan. In the second Five Year Plan over Rs. 20 crores will be spent on scientific and industrial research.

In the work of our scientists, as in the training of research students in our universities, paper will play an important part. In laboratories all over the country paper will provide the means of computation and instruction.

"planning begins on paper"

Makers of Quality Papers for over 74 years

WORLDGRAM

AGRICULTURE

Stepping up India's Fish Production: A 50 per cent increase in India's production, in ten years from now, is quite on the cards, if the development plans, currently envisaged, go through. Every year fisheries contribute about Rs. 27 crores to the country's national income, engage about 75,000 craft of various types along a coastline of about 3,000 miles, and give employment to some 750,000 fishermen. Technological improvement and research are a vital part of Rs. 12-crore scheme for fisheries included in India's second Plan. At the beginning of the first Plan, India produced about one million metric tons of fish per annum, the average catch per head being near 2,500 lbs. Development programmes, now proposed, are expected to increase fish production during the second Plan period by about 33 per cent, namely, to 1.4 million metric tons.

U.P. Land Reforms Amending Bill: The President gave his assent to the Uttar Pradesh Land Reforms (Amendment) Bill, 1956, on May 26. In February 1956, the U.P. Land Reforms (Amendment) (Second) Ordinance, 1956, was promulgated to provide that the question of title in respect of lands included in the question of consolidation operations may be referred by the Compensation Officer for determination to the Civil Judge having jurisdiction, who should there upon refer it for determination to the Arbitrator appointed under the Uttar Pradesh Consolidation of Holdings Act, 1954. The Ordinance was to expire on May 28, 1956, and the present Bill seeks to replace it. The Bill also seeks to remove certain difficulties experienced in the working of the Uttar Pradesh Zamindari Abolition and Land Reforms Act, 1950, and also provides for extension to adhvasis the facility of acquiring Bhumidari and Sirdari rights on evacuee lands.

INDUSTRY

Development of Sports Goods Industry: Sports goods, valued at about Rs. 1 crore are manufactured on a small scale basis in India every year. Under a scheme for the development of the sports goods industry, two industrial extension centres are proposed to be set up at Meerut in Uttar Pradesh and at Jullundur in the Punjab. Also groups of small-scale units, around central workshops, are to be set up for the manufacture of sports goods. The small manufacturers will be provided with built up accommodation for their workshop and residence either on hire-purchase basis or on rent. Provision will also be made for supply of electric power and water at reasonable rates. If required, they will be given loans for their working capital also. The central workshops will be equipped with machines and tools. Qualified technical personnel will be attached to the central workshops to guide the units in the improvement of technique of production and quality of products.

Blanks for Jute Spinning Roller Discs: The Indian Standards Institution has published an Indian standard specification for blanks for jute spinning roller discs. The standard prescribes the requirements in respect of the material and dimensions of blanks for jute spinning roller discs. The permissible size and location of knots have also been specified. The recommended code of practice for the manufacture of blanks, a list of approved species of timber for the manufacture of blanks and a short description of the approved species of timber have been given in three appendices to the standard. Copies of the standard, which has been prepared by the Jute Mill Wooden Articles (other than

shuttles). Sectional Committee, can be had from the Indian Standards Institution, 19, University Road, Delhi-8, and its branch office at Bombay.

Light Coal Tar Solvent Naphtha: An Indian standard specification for coal tar solvent naphtha, light, grade I, has just been published by the Indian Standards Institution. The standard prescribes the requirements and methods of test for the material in respect of specific gravity, colour, residue on evaporation and distillation range. It also prescribes tests for neutrality, acid wash and determination of hydrogen sulphide and mercaptans content. This standard has been prepared by ISI's Heavy Chemicals (Organic) Sectional Committee. Copies of the standard, are available from the Indian Standards Institution, 19, University Road, Delhi-8, and at its branch office, 40/40A, Cawasji Patel Street, Fort, Bombay.

Steel Foundry at Chittaranjan: The Government of India have decided to set up a steel foundry at the Chittaranjan Locomotive Works for the production of locomotive steel castings, which are at present imported. The capacity of the proposed foundry will be 7,000 long tons of finished steel castings annually. The foundry will be so designed as to permit of convenient expansion of its capacity to 10,000 long tons per annum. The Government of India have invited proposals from a number of American firms of consulting engineers for setting up the foundry. The US Technical Co-operation Administration will finance the dollar expenditure incurred on the services of consulting engineers. Proposals from the firms are due to be received in the beginning of July 1956.

New Type of Hydrogen Generator Developed in India: The new type of hydrogen generator developed in India is cheap to produce and at the same time uses a comparatively inexpensive process which, though well-known, has not been commonly used before in a portable low-pressure hydrogen generator. Hitherto, India has been importing all its requirements of hydrogen generators at a cost of Rs. 3,000 each. The special type of generator now developed in the industry itself costs Rs. 340 to produce. Production of these generators has started. The generator consists of two cylindrical parts, one of which may be called the reactor and the other a scrubber. Unit charges of a chemical called ferrosilicon are dropped from a receptacle into the reactor which contains a concentrated solution of caustic soda. The Hydrogen generated by the interaction of these chemicals is passed through the scrubber containing water which removes the free alkali particles trapped in the gas and also cools the gas, which is then led through a filling nozzle into the balloon. This is the first time that this principle has been used in a low-pressure hydrogen generator.

TRADE

Export Promotion: A foreign trade wing has been constituted in the Union Ministry of Commerce and Industry to step up exports of Indian goods. Key officials of the Commerce Ministry, of the State Trading Corporation and the small industries corporation from the wing which will act as a kind of "executive" for Export Promotion Councils and Co-ordinate their activities. The foreign trade wing may also suggest measures to check any fall in exports of certain commodities, as, for example, textiles. Another step is the formation of more Export Promotion Councils. Three more Councils are being formed for mica, shal, hides and skins. Several Councils are already functioning to promote the exports of cotton, rayon and

silk textiles, engineering goods, cashewnuts, paper, tobacco and plastics. In Teheran, it is considered essential to open a show-room of Indian goods where a wide variety of products can be exhibited. In Sikkim, the Commerce Ministry is contemplating starting an export drive and in China, an exhibition of Indian handicrafts is planned.

*

Osaka International Trade Fair: Valued at 2,063,910,000 yens (75 yens equivalent to Re. 1) were concluded at the Osaka International Trade Fair which was held from April 8 to 22. It was the second international exhibition to be held in the City of Osaka and the first since Japan became a member of the Union of International Trade Fairs last year. Twenty-three countries participated and displayed their products in 1,650 booths. Approximately 434,000 people, including 8,700 foreigners visited the exhibition. Contracts for 1,252,000,000 yens of exports, 268,000,000 yens worth of imports and 543,000,000 yens worth in domestic transactions were concluded. Leading export items were: textiles (700 million yens), and machinery (300 million yens). Principal purchasing countries were the United States, India, Hongkong and Singapore.

*

Import Licences for Iron and Steel: With a view to meeting the shortage of steel in the country, the Government of India have decided to import steel in larger quantities. Most of the imported steel will be consigned to the ports of Calcutta, Bombay and Madras. To facilitate the issue of import licences and customs clearance permit in the Western and Southern zones of the country and keep a proper check on the movement of imported steel to the Consuming Centres without any loss of time, it has been decided to open two Regional Offices of Iron and Steel Controller at Bombay and Madras. Bombay State, Madhya Pradesh, Madhya-bharat, Rajasthan, Saurashtra, Ajmer, Bhopal, Cutch and Vindhya Pradesh will be under the jurisdiction of Bombay Office. Madras State, Andhra, Hyderabad, Mysore, Travancore-Cochin, Coorg and Pondicherry will be under the jurisdiction of Madras office. The rest of the States will be under the jurisdiction of the Central Office of the Iron and Steel Controller at Calcutta.

*

Japanese Exports: A new post-war export record was set up by Japan in the year 1955-56 (April 1, 1955 to March 31, 1956) as Japanese goods valued at \$2,125,594,000 were sent abroad. This represented a sizeable increase of 24.5 per cent over the \$1,707,105,000 exported in 1954-55. A tremendous increase of 46.6 per cent was marked in exports to the Dollar area, reflecting the prosperous conditions last year. Exports to the Sterling Area were also favourable, but a decline was noted in the trade with the open accounts area because of the poor foreign exchange situation of the nations in that category.

FINANCE

Japan's National Income During 1955: National income during calendar 1955 totalled 6,574,500 million (\$18,263 million), a rise of 8.4 per cent over the previous year. National income for 1954 (6,062,800 million—\$16,841 million) was 6 per cent above its previous year. The main reasons for this rise in income in 1955 were the bumper agricultural crops and rise in export. Reflecting this, income rise for the primary (agriculture-fishery) and secondary (manufacturing and mining) lines was outstanding. Also notable was the gain in proprietors and Corporate income. On the

other hand, increase in expenditures for consumption and plant and equipment investments was comparatively mild, and price trends were stable.

*

Procurement Authorizations to Aid India: The US International Co-operation Administration has announced new authorizations totalling \$500,000 for the purchase of pipes, valves and fittings for use in India. Procurement of the supplies will be carried out through the India Supply Mission in Washington. The authorizations, which are announced periodically, implement aid programmes already agreed upon by the two countries.

GENERAL

Bombay Trade Unions Amending Bills: The President has given his assent to the Indian Trade Unions (Bombay Amendment) Bill, 1956. Under Section 33 of the Indian Trade Unions Act, 1926, the Registrar of Trade Unions may make complaints in respect of offences under section 31(2) within six months of the date on which the offence was committed. The Bombay Government have found that in most cases the offences come to the notice of the Registrar after the expiry of this period. They therefore, consider that section 33 should be amended to enable the Registrar to make complaints six months after the offence came to his notice. The present Bill has been drawn up to achieve this.

*

Gram Sevikas for Central Social Welfare Board's Projects: About 1,125 Gram Sevikas or Village Level Workers for the Central Social Welfare Board's Welfare Extension Projects are scheduled to be trained in 1955-57 in 20 training centres of the Kasturba Gandhi National Memorial Trust, situated in different states. In addition to the 16 Centres of the Trust already in existence, 4 more are proposed to be opened by the Kasturba Trust, one each in Uttar Pradesh, Pepsu, Rajasthan and Hyderabad (Telangana), to facilitate training of the larger number of Gram Sevikas required. The course will commence in July next and will last for a year.

*

Employment Situation During April 1956: The employment seekers registered at the Employment Exchanges during April, 1956, numbered 1,33,574 as against 1,21,399 during the preceding month. The Exchanges submitted 84,478 applicants to the employers for selection during the month as against 86,396 during the preceding month. The number of placements effected was 16,624 as compared to the corresponding figure of 15,504 in the previous month.

*

Electricity Output: During January 1956, 731 public utility undertakings in India, produced 755.6 million Kilowatt hours (kWh) of power, of which 621.8 million kWh were sold to ultimate consumers. Power generation during the month decreased by 23.7 million kWh in comparison to December, 1955. One diesel-generating station at Begusarai in Bihar, and six purchasing undertakings at Jagatpur, Bahugram, Salepur, Kendupatna and Rourkella in Orissa and Rajpur-Sonarpur in West Bengal were the new additions during the month. Power output and sale during January, 1955 were 665.8 million kWh and 545.2 million kWh and during January 1959, 210.9 million kWh and 176.6 million kWh respectively.

NEWS IN BRIEF

INDIAN

The Government of India has sanctioned about Rs. 70 lakhs for an interim Ambar Charkha programme during 1956-57.

*

The Reserve Bank of India has fixed June 30, as the last date for making applications for transfer of bank accounts from Pakistan to India.

*

An official delegation will shortly leave for London to finalise details of the agreement signed last February with British steel interests for the construction of India's third steel plant at Durgapur.

*

The Government of India has sanctioned the issue of fresh capital by the Indian Iron and Steel Company on the basis of one right share at Rs. 13-8 for each ordinary share held. The issue of this right share will be made after November 1, 1956.

*

The Government of India has decided to license freely for export rice husk (paddy husk—outer shell of paddy) to all permissible destinations up to the end of June, 1957.

*

Export of de-oiled groundnut meal will be allowed freely to all permissible destinations as hitherto up to the end of December 1956, without any quantitative restrictions.

*

The World Bank is expected to complete negotiations before the end of June on its biggest ever loan to an Asian country—about \$70 million to \$75 million for the Tata Iron and Steel Company of India.

*

India's total trade increased to Rs. 1,248 crores in 1955 from Rs. 1,179 crores during the previous year.

*

A sum of Rs. 6,51,892 was sanctioned to State Governments and voluntary organisations for nursery schools during the first Five-Year Plan.

*

About 400 gram sevikas, drawn from 18 States, are at present undergoing training at home science training centres.

*

The number of Post Office Savings Bank Accounts in India increased to 5,384,147 in 1955 from 4,090,020 in 1951.

*

Electric meters of the estimated value of Rs. 3 crores were manufactured in India during 1955.

*

During 1955-56, 164 licences were issued for setting up new industrial undertakings as against 110 during the previous year.

*

India's exports increased from Rs. 563 crores in 1954 to Rs. 604 crores in 1955.

*

Sugar machinery of the value of about Rs. 19,03,500 was manufactured in India during 1955.

*

The Government of India have sanctioned Rs. 42.63 lakhs for road development schemes in Andhra, Bombay, Tripura and N-EFA.

FOREIGN

US employment was at its highest 1956 level during May, reaching 65,238,000. It is reported the increase resulted mainly from the usual large expansion in agriculture and a sizeable gain in construction. Total farm employment during May was 7,146,000.

*

B. A. Shawinigan jointly-owned subsidiary of British American oil and Shawinigan Chemicals, is expanding its plant in Montreal East to increase production of phenol by 50 per cent.

*

The first milk-drying plant in Costa Rica, for which the United Nations Children's Fund supplied \$106,000 worth of equipment has been opened. The plant which will conserve surpluses during the rainy season, will make possible the free distribution of milk to 50,000 children and mothers.

*

A British manufacturer has successfully installed an engine for permanent operation in water. The engine can be stopped and restarted while submerged although the starter motor is also under water. Four pipes for the air intake, exhausts, fuel and lubricating oil are above water level.

*

A high level Conference at Murree has prepared a five year plan to increase production not only to bring self-sufficiency but also to the extent of sparing wheat for export to Middle East countries.

*

Mineral production, especially of coal, petroleum and iron ore continue to increase in Asia, according to a report on Mining Development in Asia and the Far East 1954-55.

*

According to the data published at a consultation of experts for urban development held in Portoroz, there are 28 specialised organisations in Yugoslavia at present engaged in the drafting of urban projects, plans, designs and blueprints, employing 221 engineers, 91 technicians, and 16 other employees and external associates.

*

Ceylon is reported to have decided to break away from the International Wheat Agreement. It may sign bilateral agreements with wheat producing countries to get its annual requirements of 200,000 tons of wheat and flour.

*

A regular budget of \$10,700,000 for the World Health Organization in 1957 has been approved by the World Health Organization Assembly in Geneva.

*

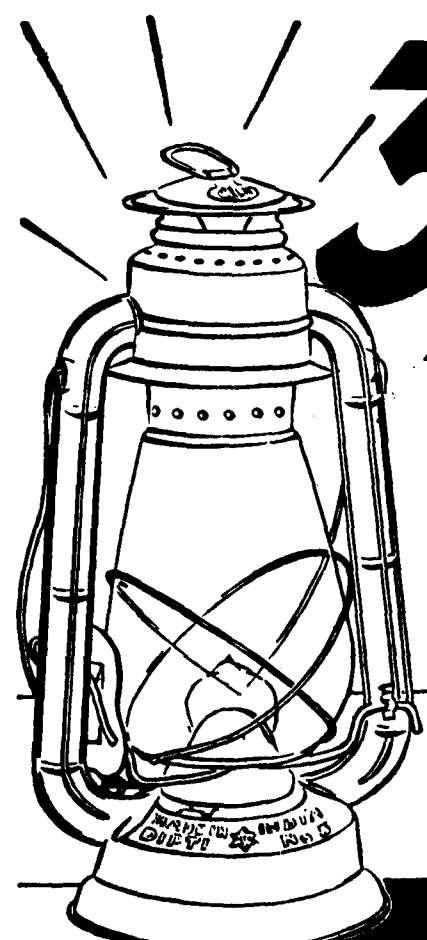
The Chancellor of Exchequer, Mr. Harold MacMillan told the Commonwealth Correspondents' Association that Britain's long-term overseas lending in the sterling Commonwealth has been well over \$100,000,000 annually for the last four years.

*

Electrical exports from the United Kingdom in 1955 reached a record figure. It is reported £245,000,000 worth of electrical goods was sold overseas—an increase of more than 12 per cent over 1954, and the largest annual increase since the war.

*

A meeting of the member-countries of the International Tin Agreement will be held in London on the 29th inst to decide the date on which the Agreement will come into effect.



3 Reasons
WHY
MORE PEOPLE
ARE BUYING

DIPTI

CUTS 20% KEROSENE CONSUMPTION

TROUBLE FREE PERFORMANCE

STURDY IN CONSTRUCTION ATTRACTIVE IN PRICE

DIPTI LANTERNS FOR MILLION HOMES

According to the latest Government certificate, Dipti lanterns give you clear Six British candle light without any smoke.

When you buy a lantern always insist on Dipti. Remember Dipti not only gives you a trouble-free service but also saves twenty percent of your kerosene consumption. It is sturdy in construction and smart in look. It has a special paint which is good for all weathers.



THE ORIENTAL METAL INDUSTRIES PRIVATE LTD.

Head Office: 77, Bowbazar Street, Calcutta-12. Factory: Agarpara Estate. Progressive OM. 3.

Special Articles

STRUCTURAL CHANGES IN BANKING—1951-1955

HOW far is the dynamism of the Indian economy, displayed in the later period of the first Five-Year Plan, reflected in a change in the pattern of the banking system? There has in fact been a steady departure from the conventional pre-1952 pattern. There is a significant shift towards greater application of banking funds to the requirements of industry in the short run, but undoubtedly of more vital importance is the larger participation of banks in financing the public sector. Quantitative growth has extended increasing assistance to the traditional classes of activity. But in the main there are healthy indications that the expansion of the system is exhibiting a capacity to meet new demands under the impact of a planned change in the economy towards greater industrialization.

During the last five calendar years which correspond virtually with the period of the first Five-Year Plan, there has been a spectacular increase in the volume of aggregate deposits by Rs. 180 crores to Rs. 1,000 crores. Over Rs. 100 crores of this increase has come through time deposits; less than half of this has been contributed by demand deposits. The increase in both types of deposits has an important bearing on the strength and capacity of the banking system to gear itself to the wheels of higher activity in both sectors of the economy. The outstanding characteristic of the growth of the system is the acceleration that started in the third year and proceeded with remarkable speed in the last two years. Thus between 1953 and 1955, total bank deposits leapt from Rs. 825 crores to Rs. 1,000 crores. This phase coincides with the phase in which development in the first Plan gained its real momentum and demonstrates the capacity of Indian banks to absorb a high proportion of the increments in currency supply pumped into the economy. This was partly but by no means closely correlated with deficit financing.

The changing pattern of the ownership of demand deposits has a direct bearing on the structure of bank advances by reason of the correlation between the two. The trends in these changes show the emergence of the relative importance of organised industry, next after this category, of financial, plantation and public utility concerns. In absolute terms, personal deposits and trading concerns must continue to dominate the pattern of ownership of deposits. Table I in this article discloses that between 1951 and 1955 the volume of deposits from these two sources remained nearly stationary. If the year of the Korean boom is ignored, personal deposits show an increase but not deposits of trading concerns. The factor which emphasises the change in the character of ownership is the decline of these two types of ownerships by 2 per cent each over the period. They have lost ground to important classes of holders of deposits in the system. Total deposits of manufacturing concerns in quantitative terms have risen by 20 per cent to Rs. 60 crores. The growing interest which the other classes of deposits are exhibiting may not show an impressive impact on the total volume of deposits, but it underlines a vital shift in the character of ownership. In effect it means that diversification in ownership tends to follow the diversification in the structure of the economy. The share of industry in deposit ownership must in future assume more rapid acceleration in growth. It is not implied that this change will upset the balance in deposit holdings in a substantial measure, but the steady development in the new direction is clear enough.

The impressive spurt in the volume of deposits has been instrumental in channelling larger funds into the credit system through bank advances. Over the five-year period the increase in the volume of bank advances has been of the order of Rs. 65 crores and if the year of the Korean boom is excluded the quantum of increase rises as high as Rs. 135 crores. Table II

TABLE I.

OWNERSHIP OF DEPOSITS OF SCHEDULED BANKS IN INDIA BY TYPES OF DEPOSITS

(Year-end Figures in Lakhs of Rupees)

	1955		1954		1953		1952		1951	
	Amount	% of Amount Group Total	Amount	% of Amount Group Total	Amount	% of Amount Group Total	Amount	% of Amount Group Total	Amount	% of Amount Group Total
I. Demand Deposits of—										
(1) Manufacturing concerns	59,93	12.1	48,82	10.5	44.50	10.7	42,88	10.0	49,26	10.8
(2) Trading concerns	114,39	23.0	108,96	23.5	104.62	25.1	112,93	26.4	114,89	25.2
(3) Public utility concerns	11,43	2.3	7,16	1.5	9.48	2.3	8,77	2.1	8,10	1.8
(4) Plantation concerns	11,00	2.2	12,60	2.7	7.25	1.7	5,66	1.3	7,68	1.7
(5) Financial concerns	59,69	12.0	55,58	12.0	49.24	11.8	50,00	11.7	30,84	6.8
(6) Personal	125,55	25.3	114,67	24.7	112.96	27.1	116,09	27.1	123,92	27.2
(7) Rest	114,97	23.1	116,82	25.1	89.52	21.3	91,33	21.4	121,62	26.5
Total Demand Deposits	496,96	100.00	464,83	100.00	417,57	100.00	427,66	100.00	456,31	100.00
II Savings Deposits	162,53	100.00	146,46	100.00	138,82	100.00	136,87	100.00	135,35	100.00
III. Time Deposits	334,03	100.00	298,85	100.00	266,68	100.00	205,03	100.00	229,96	100.00
GRAND TOTAL	993,53	—	909,93	—	823,07	—	814,35	—	821,62	—

corroborates the stringency of credit in the third year. But the full impact of the tempo of outlay in the last two years of the Plan is clearly seen in bank deposits as well as advances. Advances moved up by Rs. 150 crores in 1954 and 1955. As important as this overall increase is the distinct change in the character of advances made by banks. Advances to industry have risen both absolutely and relatively. Over the five years the increase in this sector has been the highest among all the classes at Rs. 27 crores. A trend of similar significance is the shift in the provision of accommodation for wholesale trade in non-agricultural commodities. It has altered the equilibrium in advances in this category and reversed the ratios of advances for trade in agricultural and non-agricultural commodities. The latter now get about three-fifths of the advances for this purpose. The new pattern of bank advances with its progressive bias to finance business and industrial activity cannot fail to acquire a stable and widening base in the second Plan period. There can be no doubt about its capacity to respond to the objectives of the second Plan with its basic emphasis on industry.

The investment portfolio of banks has come to produce a large repercussion on the public sector's

demand for financial resources. Table III gives clear proof of the role which bank funds play in this respect. Almost the whole of the increase of Rs. 100 crores in banks' investments has been directed into government securities. It raises the issue of the participation of banks in the loan programme for the second Plan on a vigorous scale. The increase in investments of banks in the public sector in the last five years has been of the order of 50 per cent of the increase in the volume of deposits. Assuming that the addition of currency over the period of the second Plan will be of the order of Rs. 800 crores, the behaviour of bank deposits in the recent years indicates a rise of Rs. 600 crores in their total volume. At the rate obtaining in the first Plan, the minimum contribution of banks to the market loan programme of the second Plan fixed at Rs. 700 crores might be Rs. 300 crores. With sufficient pressure exerted by the Reserve Bank on the investment policy of scheduled banks, their loan subscription can be pushed to Rs. 400 crores on a reasonable estimate. This is only one indication that the loan target can be pitched higher to reduce the uncovered gap in the Plan resources. And in spite of this "persuaded" direction of bank funds into public loans, a sizable surplus of Rs. 200 crores or more will be available for the requirements of the private sector.

TABLE II.

ANALYSIS OF ADVANCES OF SCHEDULED BANKS IN INDIA ACCORDING TO PURPOSE

(Year-end Figures in Lakhs of Rupees)

	1955		1954		1953		1952		1951	
	Amount	% of Amount Total Ad- vances	Amount	% of Amount Total Ad- vances	Amount	% of Amount Total Ad- vances	Amount	% of Amount Total Ad- vances	Amount	% of Amount Total Ad- vances
I. Industry	22,10	34.3	19,09	34.3	71,18	34.5	17,88	35.1	19,43	33.5
II. Commerce	32,32	50.1	27,79	49.9	24,47	49.2	23,75	46.7	30,58	52.8
III. Agriculture	1,13	1.8	45	0.8	1,19	2.4	2,11	4.1	1,30	2.2
IV. Personal and Professional	5,54	8.6	4,76	8.5	4,34	8.7	3,96	7.8	4,25	7.3
V. All Others	3,41	5.3	3,61	6.5	2,58	5.2	3,18	6.2	2,42	4.2
GRAND TOTAL	64,49	100.0	55,70	100.0	49,77	100.0	50,88	100.0	57,98	100.0

TABLE III.

ANALYSIS OF INVESTMENTS OF SCHEDULED BANKS OF INDIA

(Year-end Figures in Lakhs of Rupees)

	1955		1954		1953		1952		1951	
	Amount	% of Amount Total Invest- ment	Amount	% of Amount Total Invest- ment	Amount	% of Amount Total Invest- ment	Amount	% of Amount Total Invest- ment	Amount	% of Amount Total Invest- ment
I. GOVERNMENT SECURITIES:	396,09	87.3	357,53	86.4	337,74	86.7	327,02	86.1	305,83	85.4
II. OTHER INVESTMENTS IN INDIA:	36,30	8.0	32,46	7.8	29,16	7.5	28,52	7.5	27,12	7.6
III. FREIGHT INVESTMENTS:	21,14	4.7	23,86	5.8	22,79	5.8	24,15	6.4	25,17	7.0
GRAND TOTAL:	453,53	100.0	413,85	100.0	389,69	100.0	379,69	100.0	358,12	100.0

THE AUTOMATION CONTROVERSY IN THE U.K.

BY DR. N. DAS, I.C.S.

[The writer of this article, who has just returned from a visit to the UK, was in that country when the controversy over "automation" was at its peak. He also had the opportunity of discussing the issues involved with representatives of management, both in the public and private sectors, and of labour there.—Ed.]

THE bogey of "automation", which assumed such alarming proportions in UK in April and May this year and which culminated in a strike at the factory of the Standard Motor Company at Coventry (happily settled since), has lately been placed in its proper perspective by the Report issued by the Department of Scientific and Industrial Research of that country, published on May 16 last.

The strike at the Standard Motor Works was unfortunate, inasmuch as it was brought about by the local shop stewards and not by the leaders of the Trade Union movement. In an all-out effort to keep up with its rivals in the motor-car industry (Ford at Dagenham, Vauxhall at Luton and the Austin-Nuffield Group which forms the British Motor Corporation), the Standard Motor Company announced in April last the launching of a £4 million investment programme on automation. As soon as the first steps were taken, certain workers had to be told that they were surplus to requirements. This immediately led to the strike.

Although the origin of the strike was the shop stewards' demand to share short time among all workers rather than let any become redundant, the issue soon became a national one. The question was asked whether automation, which threatened the jobs of workers and their way of working, should be introduced, in any undertaking or industry, by the management on their own responsibility, i.e., without consulting representatives of workers (the Trade Unions).

For days together, in the latter half of April and the first week of May, many of the newspapers carried such sensational headlines as "Automation—the crisis is here now!" "The Robot Revolution and You". "What will happen to Britain's industry?", etc., etc. Even sober newspapers like the "Times", "Manchester Guardian" and the "Observer" could not escape the heat that had been generated and more than one editorial appeared in each of these papers trying to sort out the issues involved and give a lead to the country.

The UK Government committed an initial blunder in the early stage of the strike. Just before Easter, the Labour Opposition in the House of Commons staged a debate on the threat of redundancy in the motor car industry. One after another, Opposition M.P.s. urged Mr. Iain Macleod, the Minister of Labour, to face the crisis which was brewing and to intervene before it was too late. Mr. Macleod's answer was cold and concise: "Ever since we came into the Government, we have held the view that the size of the labour force is essentially a matter which would not be determined by the Government." In plain language, this meant that if the management of a big concern decided to sack hundreds of men and replace them by automatic machines, and even if the men resisted by strike action, the Government of the day would not intervene. It looked as if the Government refused to share with the management and the trade unions the responsibility for planning the transition to the age of automation. As a result, even the sober section of the Trade Union movement, which did not support the strike, became critical of the principle of automation.

Later, the Government realised their mistake. As the controversy threatened to affect the working of other industries, both the Prime Minister (Sir Anthony Eden) and the Minister of Labour agreed that Government could not behave as a disinterested spectator in a matter which might affect not merely the working conditions of hundreds and thousands of people, but also the competitive position of British industries. They held urgent consultations with representatives of employers and the Trade Unions, and, finally, the strike was called off. Government also gave the assurance that the Report on Automation prepared by the Department of Scientific and Industrial Research would be given the widest measure of publicity and that all the issues raised would be discussed threadbare in consultation with representatives of those who were likely to be most affected by this "robot revolution".

What exactly does this much-discussed word "automation" imply? According to some, it is nothing but "machines looking after machines". In this sense, it is the third phase in the development of modern industry, the first being mechanisation and the second, line production. All the three phases may be said to be continuous, progressive and overlapping.

The origins of "automation" go back to the Industrial Revolution. In so far as it replaces human muscle, it continues a trend which started two centuries ago. Thus, the transfer machines now used in engineering works are the descendants of the first automatic machines used in spinning, weaving and engineering. In most countries, this has been the principal application of automation to date—to move work, with the help of machines, from one set of processes to the next and to maintain the flow of production unchecked.

But there have been two other trends in recent years. These are (a) the use of remote control techniques to measure changes in processes and to provide the necessary correctives, and (b) the use of electronic computers which started as machines to do complicated sums at great speed but which, with their capacity to "store" information fed into them, can not only make, for example, the wage calculations in a big factory, but actually control processes. The first of these techniques (this also started with some of the gadgets of the Industrial Revolution) is being used particularly in the chemical and petroleum industries, while the second is being used in some industries in the USA and possibly also in the USSR.

Now, while, in a sense, "automation" is but an extension of the principle of "mechanisation", in another sense it is slightly different. "Mechanisation" means the development of machines to replace human labour; "automation", on the other hand, means the development of machines to control other machines. The rapid growth of modern electronics has resulted in machines which can control a whole series of machines on the factory floor or in an office, and can even supervise complete industrial processes. In any case, automation has not been a brand-new development in UK. Most of her steel mills and oil refineries are already 80 to 90 per cent automated and, at the Esso refinery at Fawley, only six men at a time are said

to be needed to process nearly one-third of Britain's oil products.

The point at issue, however, is not whether "automation" is something new or whether it is merely an extension of something which has been going on over the past two hundred years. The points at issue are whether (a) "automation" is inescapable if Britain is to maintain her competitive position in the world market, and (b) how UK (and other countries) should go about it so as to cushion the human dislocation it is bound to cause.

As regards the first issue, all concerned (including representatives of labour) now agree that, if Britain is to maintain her competitive position in the world market, she must "automate or perish". The rapid strides made by "automation" in USA, West Germany, France and USSR and the consequent reduction in costs and increase in productivity leave no choice to UK in the matter and the labour movement in that country is well aware of this grim fact. Secondly, "automation" is not all hardship even from the individual worker's point of view. It would take much of the donkey work out of the manufacturing industries, thus making things more congenial for him. It would also mean higher wages, less hours of work per week and greater leisure.

As regards the second issue, it has been argued that, just as the development of machine tools downgraded operational labour while upgrading the fitter and the machine-tool maker, so the new processes would mean not only more skilled equipment-makers, more maintenance men, more design engineers, but also more scientists and more technologists. The Board of Trade in UK has recently stated that if the British factories were fully "automated", there would be treble the demand for electric power today: the demand for labour would thus be merely transferred to other fields—from operational processes to machine-making and power-making processes, from routine and semi-skilled jobs to more skilled and individualistic jobs. But this transfer or "adjustment," as some would like to call it, is bound to take time. In the short period (and the

period may not be so very short), the introduction of "automation" in existing industries is bound to lead to some unemployment and some hardship to certain categories of workers. Even in a state of full employment, as in UK, there may be local difficulties in places where an industry employs the whole local labour force. Older men might find it difficult to learn the new skills they would need in another job. To ease the transition to automation, therefore, due attention must be paid to the needs, feelings, and problems of the workers concerned and the Trade Unions should be consulted at every stage to facilitate redeployment of surplus labour. The dismissal of large groups of workers can be avoided in many cases if managements plan their manpower programmes well in advance.

It is for other reasons, however, that the transition to "automation" is not going to be easy in UK. The first is the vast quantity of money required. In the USA, the introduction of "automation" in the motor car industry alone has been costing something like two billion dollars per annum since 1954. It is doubtful if UK would be able to afford, in the foreseeable future, the huge capital investments involved in full-scale automation. Secondly, there is already a crying shortage of technical personnel for manning industry at its existing level. "Automation" would require more of such men and of a much higher standard: these cannot be produced overnight. As a matter of fact, most observers now agree that, with the best will in the world and other conditions remaining favourable, the change-over to "automation" may take some 15 to 20 years in the UK.

To us, in India, "automation" is now like a distant comet, to be viewed only through a telescope and its movements studied in the rarefied atmosphere of an astronomical laboratory. But the issues raised by this "bogey" word also apply to the allied problems of mechanisation and rationalisation. Moreover, with competition in the world market growing keener and keener every year and the rapid developments which are taking place in science and technology, one need not be surprised if the problem stares us squarely in the face in another ten or fifteen years from now.

SERVICE IN INDUSTRY

By N. BARWELL and S. S. KAR

Demy 8vo

995 pages

Rs. 37-8

This is the Second Volume of the monumental work on the Law of Service in India and, as the title indicates, deals exhaustively with all the industrial legislation in this country with particular reference to service. It contains

- | | | |
|---|---|--|
| 1. The Factories Act. | 9. The Dock Workers (Regulation of Employment) Act. | 16. The Mines Maternity Benefit Act. |
| 2. The Factories (Amendment) Act, 1954. | 10. The Employment of Children Act. | 17. The Payment of Wages Act. |
| 3. The Workmen's Compensation Act. | 11. The Apprentices Act. | 18. The Minimum Wages Act. |
| 4. " " " " | 12. The Employees' Provident Fund Act. | 19. The Trade Unions Act. |
| 5. The Mines Act. | 13. " " State Insurance Act. | 20. The Industrial Disputes Act. |
| 6. The Dock Labourers Act. | 14. The Employees' State Insurance (Central) Rules. | 21. " " " " (Central) Rules. |
| 7. " " " Regulations. | 15. The Employees' State Insurance (General) Regulations. | 22. The Industrial Disputes (Appellate Tribunal) Act. |
| 8. The Plantations Labour Act. | | 23. The Industrial (Appellate Tribunal) Rules Regulating Practice and Procedure. |

With exhaustive commentaries and up-to-date case law

Invaluable for practising lawyers, students of law, trade unions and employers and employees in commercial organisations, factories, mines, plantations and Docks.

Initial bulk stock received from binders nearly exhausted and further bulk quantities expected shortly.

For further details write to:

ORIENT LONGMANS

Kanson House, 24/1 Asaf Ali Road, New Delhi-1.

THE INDIAN TUBE COMPANY (1953) LIMITED

A TATA-STEWARTS AND LLOYDS
ENTERPRISE

General Services.	Screwed and Socketed Tubes, Class 'A,' 'B' and 'C' (Galvanised and Black) to B.S. 1387, upto and including 6" n.b. and Pipe Fittings.
Power	Cold drawn, Hot finished and Electric Resistance Weld Boiler Tubes.
Poles	Tramway, Transmission, Lighting.
Public Services	Air, Gas, Water and Sewage Mains.
Mechanical	Seamless and Electric Resistance Weld Tubes for Rollers, Conveyors and other mechanical purposes.
Steel Strip	High Tensile Steel Box Strapping and Cold Rolled Steel Strip for manufacturing purposes.

Enquiries and Orders for Screwed and Socketed Tubes and Fittings ex-stock should be addressed direct to our Warehouse Offices.

Head Office:

41, Chowringhee Road,
P. O. Box 270, Calcutta.
Telephone: 44-5224 (5 lines).

Branch Offices and Warehouses:

18, Fosberry Road, 39, Hide Road,
Sewree, Kidderpore, Calcutta,
Bombay-15 Telephone: 45-4561.

Works: Jamshedpur, Bihar.

STEWARTS & LLOYDS OF INDIA, PRIVATE LIMITED

Fabrication and Erection of complete pipework installations for Steam, Gas, Compressed Air, Fuel Oil, etc.

Coils for Refrigeration and other industrial uses.
Light Structures of Tubular construction.

Water Well Casing
Oil Country Goods.

Head Office .. 41, Chowringhee Road,
P.O. Box 270, Calcutta.
Telephone: 44-5224 (5 lines).

Works .. 39, Hide Road,
Kidderpore, Calcutta.
Telephone: 45-4561.



**-WRAPPED IN
TRAYOPHANE
MOISTURE-PROOF FILM**

Moisture-proof Trayophane has been developed for wrapping all goods which must not be affected by moisture—biscuits, tea, coffee powder, cigarettes, sweets. It is available in rolls and sheets, and can be printed with brilliant designs.

Trayophane is more transparent than glass, shows off your product better.

Trayophane can be heat-sealed—just run a hot iron along the seam.

And Trayophane is cheaper than any other packaging material. Ask for free samples catalogue!

TRAYOPHANE

* The new name for
TRAYONS TRANSPARENT FILM

stops the eye

- starts the sale!



THE TRAVANCORE RAYONS LTD.

Factory: Rayonpuram P. O. Travancore-Cochin
Sales Office: United India Life Buildings, Madras-1

TR 861



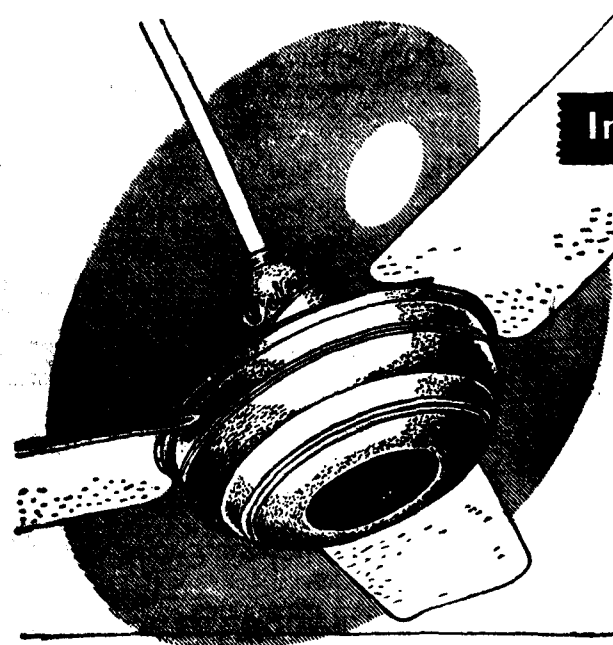
Der Export-Markt

for 36 years Germany's Leading export journal will contact you free of charge with reliable German manufacturers and will help you in obtaining agencies

Write today for complimentary numbers of the following special editions :

- "Machinery and Electrical Equipment"
- "Vehicles, Agricultural Machines and Accessories"
- "Consumer Goods"

VOGEL-VERLAG, Coburg, West Germany



Improved in every respect

- Modern styling
- Superb stove-enamel finish
- Greater air-displacement
- Sturdy construction



ORIENT GENERAL INDUSTRIES LTD.

6, Ghore Bibi Lane, Calcutta-11

Sole Distributors:

M/S. Republic Electrical Co., 16/25, Katra Baryan, Fatehpuri, Delhi.
Telephone:—23831 (PP)

Economic Report from the U. S.

BUSINESS OUTLOOK FOR 1956

(By Guy Sims Fitch)

WASHINGTON, June 19.—"In spite of a good deal of talk of contraction, and worry about where our economy is going, 1956 promises to be our best year in history in terms of production, employment and earnings". This is the judgment of a hard-headed and respected economist—Dr. Emerson P. Schmidt, Director of the US Chamber of Commerce's Economic Research Department. He made the statement last week at a Chamber-sponsored symposium reviewing at mid-year the American business outlook for 1956. If Dr. Schmidt's reputation needs any bolstering—he was one of the few economists who in 1945 correctly predicted the strong and steady post-war expansion of the United States.

Farm prices have been edging up in recent months. Even with automobile sales and production lagging behind last year, 1956 will still be the third-best automobile year in history. Housing starts are down somewhat from last year, but still will equal the average rate of the last five years. A number of important "expansionist" forces, meanwhile, still are at work. New construction, particularly commercial building, is on its way to a new annual high, despite the housing dip. Business outlays for new plant and equipment, already at record levels, are expected to go on expanding throughout the year. It is worth recalling, in this connection, that the United States never has experienced a general economic downturn of any severity as long as this type of spending has held up.

Exports and imports both are at an all-time high, and with most of the world also experiencing high levels of prosperity and expansion, they are likely to remain high for the rest of the year. In Dr. Schmidt's opinion, the "conspicuousness" of the few troublesome areas (automobiles, housing and agriculture) has been causing "undue concern" about the American economy as a whole, and even in these fields, he holds the period of major decline has passed, while the rest of the national economy has continued to operate at virtually full capacity. In spite of an increase in the American labour force of nearly two million in the past year, unemployment in the United States actually is lower now than it was a year ago. Worth while employment opportunities are open both to new entrants into the labour force and to workers seeking new jobs. Consumer income and spending are expected to remain at record levels.

These views advanced by Dr. Schmidt received general support from the industry representatives taking part in the symposium. Noteworthy—despite the deary picture drawn by the spokesman of the automobile dealers—were the opinions expressed by those selling goods to the public. Department and speciality stores, for instance, expect 3 per cent sales increase this year over last year's record rate; variety stores look for a rise of from 3 to 4 per cent, and food stores of 4.5 per cent. The only serious dissent from the generally favourable outlook came from a representative of the banking community. Justin Bowesock, Executive Vice-President of the Union Trust Company here, pointed specifically to the present "tight" money policy of the US Federal Reserve Board. He likened this policy—which tends to restrict business and consumer credit at a time when some segments of the economy appear to be slipping and when industry needs financing for its huge expansion programme—as "shutting off the furnace just at the beginning of winter".

But Dr. Schmidt defended the Federal Reserve policy, holding that it has kept a potentially explosive

rate of expansion at a level consistent with economic growth, full employment, high overall prosperity and reasonable price stability. If, in the process, "tight" money has pinched in some places, that is exactly what it was meant to do. The tightening of credit policy has been debated along these lines for some time now. Whatever the merits of the pros and cons, this much is clear: the Federal Reserve is in a position to relax credit if it should see a new need for stimulating economic activity. This flexible policy is in itself an important guardian of economic stability.



Diamond Products make the modern packs that sell!

- Cellophane
- Polythene
- Metalfoil
- Cardboard Cartons
- Flexible Packaging
- Shipping Containers
- Gummed Tape
- Bottle Cap Liners

DIAMOND PRODUCTS LTD.

4, Clive Row, Calcutta-1.



OF 4267



When you have a journey to make, think first of flying. It's the fastest way to travel, and often the only way to get there in time. You escape all the tedium of a long journey — flying is so quick, convenient, and wonderfully comfortable.

INDIAN AIRLINES CORPORATION

Malhotra Building, Queensway, New Delhi. Telephone: 40071 (4 lines)



DEVELOP YOUR TRADE WITH BULGARIA

Exhibit your goods and Visit-

XVII PLOVDIV FAIR

September 2 - 21 - 1956

THE Plovdiv Fair Disposes off modern Pavillions, extensive outdoor space, attractive bazaar, restaurants and parking covering an area of 380,000 square meters. At the last PLOVDIV FAIR 20 Countries had their own Pavillions or Display Stalls.

For all information apply to Bulgarian Chamber of Commerce, Sofia, Ila, Blvd. Stambolisky, Tel: 7-24-31, Cable: Torgpalate, Sofia, as well as to Bulgaria's Diplomatic Representatives and Commercial agencies.

In India: Trade Representation of the People's Republic of Bulgaria, Commonwealth, Nariman Point, Marine Drive, Bombay-1.

Advertisements in FAIR catalogue and Bulgarian press accepted. Write for rates and terms.

The Business World

THE TEXTILE PLAN

By
CROESUS

IF the stock markets have not greeted the announcement of the four-point programme for production of the additional requirements of 1700 million yds. during the second Five-Year Plan period, made by the Union Minister for Commerce and Industry at a Press Conference in New Delhi, on Monday, with a sharp rise in textile share prices, it is as much because the news has been fully discounted ere now, as because there is nothing very much in it to enthuse either the mill interests or the markets. Nevertheless, all must regard it as a very important policy statement, in that it means that the Government of India does not believe in allowing the cotton mill industry to stagnate at around the 5000 million yds. level of output as had been urged by the Karve Committee. Many would have liked the authorities to have been equally realistic in disregarding the other findings of the Karve Committee as well, but, probably as a gesture—single, not singular—to that Committee, they have accepted its estimate of 1700 million yds. increase in the demand for cloth during the second Plan period. This means Government have accepted a slightly higher 'per capita' consumption figure (18.5 yds.) than the Kanungo Committee's estimate (18 yds.). But the influence of the Karve Committee ends there. The latest Government policy obviously follows the recommendations of the Kanungo Committee than it does those of the Karve Committee.

The highlights of the latest policy pronouncement are:

(i) that the total internal cloth requirements of the country (based on a 'per capita' consumption of 18.5 yds.) for a population of 400 million by 1960-61 would amount to 7400 million yds;

(ii) that 1000 million yds. would be required for export;

(iii) that the respective shares of the mill industry, the handloom industry (a) from mill yarn and (b) from Ambar Charkha, and the powerloom would be 5350 million yds., (a) 2200 million yds., (b) 300 (2500) million yds., and 400 million yds., and

(iv) that 150 million yds. would be held in reserve, to be allocated later, presumably to that sector of the cotton textile industry which fulfils its quota duly.

Now, mill interests do not share the view that the total internal cloth requirements by 1960-61 would be only 7400 million yds. It may be recalled that, in their joint memorandum to the Planning Commission some time ago, the Bombay and the Ahmedabad Millowners' Associations had postulated this figure at around 8800 million yds. on a 'per capita' consumption basis of 22 yds. However, it is difficult to be too dogmatic on this point, although a study of the consumption pattern in this country, coupled with the expected increase in purchasing power as a result of the large outlay under the second Plan, seems to indicate that the 'per capita' consumption will be certainly higher than 18.5 yds.; even assuming that the rise will not be sudden but only gradual, say at a rate of two yds. per annum, the more reasonable figure would be 20 yds. However, it is gratifying to find that Mr. T. T. Krishnamachari has not ruled out such a higher 'per capita' target. On the other hand, during his Press conference, he categorically stated that Government was "not unprepared" to accept a higher target, say 20 yds., if competition between now and the next 12 months rises materially". He further said that, if the target increased, a decision would be taken about its allocation at the proper time.

Evidently, this relatively cautious approach of the Union Minister for Commerce and Industry today as compared to his more optimistic evaluation earlier stems from the fact that the 'per capita' availability of cotton cloth in 1955 was only around 16 yds. as the following figures show:

Mill production ..	=	5094 Miln. yds.
Handloom production ..	=	1480 " "
Powerloom production ..	=	273 " "
Imports ..	=	6 " "

Total availability ..	=	6853 " "
Less exports ..	=	873 miln. yds.
" supplies to Government of India, Defence, etc.	=	29 " " = 902 " "
	=	5951 " "

Per capita availability 5951
= 16 yds.
372

Incidentally, the foregoing figures show that, in 1955, all the three sectors of the Indian cotton mill industry accounted for nearly 150 million yds. more than the figure reported to have been mentioned by Mr. T. T. K. at the Press conference, namely 6700 million yds. On this basis, there would seem to be no balance of 150 million yds. to be allocated later to any sector. Accordingly, mill circles do not seem to entertain any hope that this unallocated balance would go to them even if they produce their quota in full—and they are in no doubt on that point. If anything, they may only expect to be asked to make up the shortfall, if any, in the event of the handloom, the Ambar Charkha and the powerloom failing to fulfil their respective quotas. In saying this, I know I am laying myself open to the charge that I am a sceptic devoid of the required faith in Ambar Charkha and handlooms. But it is much better to be guilty of this than to profess the best of intentions but unwittingly mislead a whole nation by holding out all sorts of untenable assurances. The Ambar Charkha is not without potentialities and possibilities, provided those who plead for its large-scale introduction eschew certain of their inhibitions, such as, for instance, refusal to have a leather belt, and are not averse to using quality tool steel in place of jungle wood for some of the moving parts. Economising on these items to bring down cost so as to be within the reach of the common man, as the argument often goes, is, in my opinion, false and unsound economy. Even after all these attempts at economy, the Ambar Charkha cannot claim to stand on its own feet and has to have Government subsidy. Why should any Government give a subsidy and yet not get what is needed? Rather than this, I would prefer a higher subsidy and a larger outlay on this account by Government in exchange for assured results, because, in this case, there is no sacrifice of quality and the country can at least be certain of the expected results materialising in full.

To say all these is not to anticipate the results of the unending Ambar Charkha tests. These tests have indeed, been going on all the time and there seems to

be no finality even about the pattern of the Ambar Charkha, although we were promised this by April, 1956. Yet, a couple of months ago, the Government of India did not hesitate to sanction the installation of 10,000 Ambar Charkhas at a cost of about Rs. 70 lakhs as an experimental measure. Meanwhile, the Khara committee, whose expert report has yet to be released, is believed to have recommended the immediate establishment of 75,000 Ambar Charkhas this year and 2,00,000 more next year, at a total estimated cost of some four crores of rupees. One fails to see why there should be all this hustling, if, as the champions of Ambar Charkha claim, it can stand any impartial scrutiny and can deliver the goods, and why the country cannot await the full report. The conclusion, therefore, is obvious that mere economic considerations have not influenced official policy in this behalf. Actually, if reports that are current are to be believed, even the Government, it seems, did not favour the idea at first and actually wanted to ask the Planning Commission to examine whether there were not other and cheaper ways of producing cloth and whether an equally large number of jobs as promised by the Ambar Charkha scheme could not be created through other and perhaps less costly schemes. This first and sensible reaction was, however, sacrificed later on at the altar of political and ideological expediency, and the result has been that, although as much as four crores of rupees on Ambar Charkhas and another Rs. 8 crores on conversion of handlooms into powerlooms, etc., are to be spent, we are not promised any improvement in the cloth position for at least six months to come, and all that the 75,000 Ambar Charkhas, when completely installed, can contribute, we are told, is but 30 million yds. (as against 300 million yds., which the new policy statement itself takes credit for)!

Genuine doubts can be expressed about the prospects of immediate results from the proposal to convert 15,000 handlooms into powerlooms this year and 20,000 next year at a probable expenditure of Rs. 6 crores, not all of which, however, is to be in the form of grants. This proposal, again, is in line with the Kanungo Committee's recommendation which favoured such conversion, unlike the Karve Committee. The decision to allot these powerlooms only to co-operatives is also in line with official policy, which has been to encourage the formation of as many co-operatives among handloom weavers as possible. In other words, no new powerlooms will be licenced, with the result that, eventually, if this programme is allowed to continue, there will be all powerlooms, mostly co-operative powerlooms, and few or no handlooms. This should greatly enlarge the production potential of this sector of the industry, although not immediately.

It is only after fully recognising all these limitations that the two millowners' associations submitted their 10,000 million yd. scheme, which, had it been accepted, would not only have ensured adequate cloth supplies at reasonable prices but also allowed for the development of the handloom industry to its utmost capacity. If it was an insult to the millowners that their sensible scheme was not accepted then, it is a grievous injury to them now that, out of the additional 1700 million yds. required by the country, they should be allotted only 350 million yds., even after allowing for Government's understandable concern for the handloom weaver. As Mr. Karturbhai Lalbhai, the well-known Ahmedabad millowner, has observed, the mills should have been allowed an additional quota of at least 900 million yds. on the basis of their past and present contributions. It is to be hoped that, at least in the light of the experience of the new policy in action, the mills will be given a better deal. Luckily, a silver lining to the cloud is still there in the form of a review of the whole position at the end of twelve months.

More cloth means more looms and more spindles and the increase in the latter has to be proportionately more, because the mills will have to provide yarn to the handlooms and the powerlooms in addition to their own requirements. Fortunately, the Government have had the wisdom not to depend on the Ambar Charkha for more yarn than is needed to make just 300 million yards of cloth. This means that, in addition to manufacturing the yarn required for their quota of 350 million yds., the mills will have to manufacture yarn for making over 1000 million yds. of cloth. There was at one time a suggestion from the highest quarters that, even for all these additional requirements of yarn and cloth, there was no need to licence additional spindles and looms; by making as many mills as possible to work three shifts, it was hoped to get all this extra production. From an equally powerful quarter, this suggestion was strongly resisted as being impracticable and suicidal. From what Mr. T. T. Krishnamachari said at the Press conference last Monday, it would appear that the latter view has fortunately prevailed. This is further confirmed by the announcement that permission would be given to instal 14,600 automatic looms and 2.1 million spindles in the new integrated programme for the development of the country's textile industry. It is made clear that these 14,600 automatic looms are to be earmarked for the production of cloth for export purposes only. Lest any mill should, while doing so, cut down the output of cloth it may now be producing for export, it is further laid down that mills which would be allowed the new automatic looms must undertake to continue their present level of exports. This emphasis on exports explains the relaxation in regard to the licensing of automatic looms, for, as Mr. T. T. Krishnamachari observed, automatic looms are particularly suited for the manufacture of coarse and medium qualities, which are precisely the qualities that figure mainly on our export lists.

As regards licensing for the installation of the 2.1 million additional spindles, there are, as it is, 1.9 million spindles, outstanding against licences already issued, some of which at least are not expected to materialise for want of finance or some such reason. These would naturally be cancelled and reallocated to fresh applicants, and Government have rightly promised to give licences only to those who are willing to take speedy measures for installation. However, there is some danger of this wholesome and realistic approach being adversely affected by the attempt to allocate new spindleage to meet the employment needs, the demands of the handloom industry and the cotton growers in certain areas, much as these considerations are unexceptionable. In trying meticulously to conform to these conditions, the bureaucracy in our country is quite capable of putting off till the end not of the second Plan but of even the third Plan which, in any case, we are having.

Finally, how is all the bill that this integrated textile scheme will entail—some Rs. 12 crores, puts an estimate—to be found? It is a pity that neither the Union Minister for Commerce and Industry nor any member of the Fourth Estate touched on this question at the New Delhi Press conference. There have been suggestions that either the cess or the excise duty on cloth must be increased for this purpose, and a higher excise duty was even said to be immediately in the offing. Since Mr. T. T. Krishnamachari prefers not to plaid all his cards on the table and since Mr. Deshmukh is busy preparing to leave the Cabinet, this unpleasant aspect of India's integrated textile scheme will perhaps have to wait over, and mill interests at any rate do not feel over-anxious about a decision in this behalf, as they are convinced it is not likely to be palatable to them. Whatever form the increased incidence may take, it will be an unwelcome impost to them.

BUSINESS NOTES

EQUAL ACCESS TO STEEL

THE GOVERNMENT'S decision on introduction of uniform prices for steel and pig-iron throughout the country is to be welcomed as a step in the right direction. Rail freight charges are being pooled in order to iron out wide price differentials. Even prices at railheads are being offered to ensure equal access to all. The net effect of the change over the country as a whole will be that the average prices of steel will remain virtually unchanged, whereas those of pig-iron will go up by reason of the necessity to accommodate high cost imports.

Since the location of steel plants tended to concentrate in particular areas the transport element in costs had an adverse effect on the development of steel-consuming industries in areas far removed from steel sites. In the interest of regional balance in industrial development it was essential to redress the disadvantage of higher cost of steel for engineering units situated or planned to be situated in remoter areas. One effect of the new price policy which has been highlighted relates to its bearing on engineering industries in the port towns where they are largely centred. It is pointed out that steel prices in Calcutta and Bombay would go up by Rs. 25 per ton. This is in reality not the imposition of a disadvantage but elimination of an advantage against which distant industrial centres had a grievance. The benefit and justification of the new price policy are to be gauged from the fact that in remote areas steel prices will be reduced by something approaching Rs. 35 per ton. The biggest losers are steel-consuming industries near the sites of steel factories. Pooling of freight charges has a precedent in the case of fertilizers and this measure of rationalisation in steel comes at an appropriate time when expansion of engineering industries is within sight on an appreciable scale. If freight differentials are now removed, location of new units and expansion of existing ones will continue to be influenced by normal economic factors.

AUTOMOBILE PRICES

A FERVENT plea to the Government of India to take early steps to reduce automobile prices was made by Mr. M. B. Madgavkar, Senior Vice-President of the Western India Automobile Association, at its annual general meeting last week. In India, we have a substantial nucleus of an automobile industry in such units as Hindustan Motors, Premier Automobiles, Standard-Vanguard, Ashok-Leyland, Tata Locomotives and Mahindra and Mahindra. All these units are steadily progressing towards indigenous manufacture of motor vehicles. In the changed context of our defence needs, this industry ought to be geared up to ensure independence from foreign imports. Mr. Madgavkar complained that the existence of an indigenous automobile industry has not been reflected in any substantial rise in the number of vehicles in use. On the other hand, according to him, the average annual rate of increase which was 8.8 per cent between 1943 and 1948 has declined to 3.7 per cent between 1949 and 1954. Holding that this fall is at least partly attributable to rather high prices of motor vehicles, the W.I.A.A. expresses gratification that the Tariff Commission would soon be conducting an inquiry into the industry in order to determine the fair ex-works and selling prices of the various types of vehicles manufactured in the country.

If prices are to be brought within the consumer's reach, it can only be done if the number of commercial and transport vehicles increases considerably. This would incidentally enable the manufacturers to utilise their

rated capacity to a greater extent than today. Fixation of the margin of profits for motor vehicles and spares has, no doubt, done some good to the consumers. But the recent increase in the import duty on diesels by nearly 25 per cent, it is felt, will retard the progress of motor transport. To meet the transport requirements of the second Plan, India needs at least three lakhs additional motor trucks, of which about one lakh will be required for the estimated increase in feeder traffic and about two lakhs for that in non-feeder traffic. All manufacturers have increased their output, and, early this year the Tata Locomotive and Engineering Company announced their project of doubling the output of diesel trucks. The resulting improvement should serve to reduce the alarming drop in last year's sales but it might not increase them even to the pre-Plan yearly registrations. The annual increase in the number of motor vehicles between 1920 and 1951 was as much as 16.4 per cent, whereas it was only 3.5 per cent in 1951-55! It is thus clear that the leeway to be made up is considerable.

WORLD COFFEE SURPLUS AND INDIA

RUSSIA HAS, for the first time, bought from India 500 tons of coffee worth Rs. 40 lakhs. Placing this year's crop at nearly 32,000 tons and the stock at the beginning of June at between 23,500 and 24,000 tons, it seems the Coffee Board would still be having far more coffee than is required for this country's internal needs. The main problem before the Board now is to take a decision on the quantity of coffee that can be exported without lowering the stocks for internal consumption. Last year, about 3,450 tons of coffee were exported which yielded valuable foreign exchange to the tune of Rs. 1.95 crores, the average price realised being Rs. 5,522 per ton, as against the internal average of only around Rs. 3,800. Both the Government and the Board have a responsibility for meeting the internal demand adequately and, at the same time, preventing a wasteful accumulation of stock. Unlike in the previous years, the responsibility this year cannot be placed on the growers, inasmuch as they have only a minority voice on the new Board.

India's internal demand is not more than 14,000 tons, and the prevalent notion that a large stock should be carried over to the new season demands modification. During the last few years it has been the practice to carry forward a stock of around 5,000 tons from the old crop as an insurance against shortage in the first few months of the new season. This, in addition to the new crop arrivals in these months, would make a total of about 8,000 tons to be stocked and financed. Warehousing limitations and the needs of the market seem to suggest that the Board, at its meeting this month, could safely recommend to the Government a further release for export of a substantial quantity, say, 6,000 tons at least.

The world coffee market is softening against a possible surplus of over three million bags apart from the six and half million bags carried over by Brazil. An examination of available market forecasts reveals that a serious condition is expected to develop in the world coffee market with supply outrunning demand, and that, unless effective action is taken, the impact of such a development may create heavy problems for the coffee producing and exporting countries. An international coffee agreement has no doubt been suggested as a preventive measure, but it has so far been stalled by Brazil's reluctance to commit herself to any undertaking. The African coffee producing countries have ere now met in Lisbon—in March last—to discuss the formation of an African Coffee Federation. At the same time in many Latin American countries as well as in Africa, new planting of coffee

has been going on merrily. The prospect, therefore, is hardly encouraging. True, India, with a substantial internal market, is in a relatively safer position than many other countries but still she cannot escape the effects of a worldwide crash in coffee prices. It is just as well, therefore, to explore and exploit as many export outlets as possible while the going is good.

ELECTRICITY IN THE TWO SECTORS

THE ADDRESS of Mr. K. G. Milne, Chairman of the Surat Electricity Co., Ltd. to the annual general meeting of the Company the other day is significant not only to the shareholders of the Company but also to the public at large. From the point of view of the Company's shareholders, it is noteworthy that, for the first time since the coming into force of the Electricity (Supply) Act, 1948, the Clear Profit of the Company for last year has been adequate to cover the Statutory Reasonable Return. To the public at large, on the other hand, what is significant is the voluntary promotional tariff reduction announced by Mr. Milne at the meeting. Said Mr. Milne: "In accordance with its tradition to effect voluntary promotional tariff reductions whenever circumstances permit, your Board, on an appraisal of the favourable trend of the Company's earnings at the end of the first six months' working of last year, effected downward revision of the rates for High Tension and Low Tension power, and for Residential supplies, effective from the 1st July, 1955. In addition to this, an 'ad hoc' rebate was allowed at the end of the year in respect of bills for the first six months of the year, to the consumers qualifying for it". He also gave details of the further reduction in tariff now proposed, and informed shareholders that the reduction would be a half-anna per unit in the initial rate for lights and fans (that is, for High Tension) and a quarter-anna per unit for Low Tension power. This works out to a reduction of 0.1 anna per unit of the energy charged for High Tension power, which is lower in extent than that proposed for Low Tension power.

Mr. Milne's justification for this unequal reduction in respect of its two classes of power sales throws an interesting sidelight on the efficiency and fairplay of the public sector in the electricity industry. As he rightly pointed out, the present tariff charged by the Electricity Board for the power which it sells to the Company is highly unsatisfactory, besides being inequitable. Because of the high tariff that the Board charges, the Company is hardly left with any margin of profit. How inequitable the Electricity Board's bulk supply tariff is can be gauged from the fact that the direct High Tension consumer of the Board having a demand of only one-hundredth of that of the Surat Electricity Company is entitled to a 30-40 per cent lower rate when operating under the same conditions of load factor, etc.! Although strong representations against this have been made since the past 3½ years, nothing has been done, notwithstanding the Company's public assurance that it is ready at any time to pass on, in full, to the High Tension industrial consumers any relief that may be specifically granted in this connection. In short, it is not so much the greediness of the private sector of the electricity industry as the failure of the Electricity Board to concede a just and reasonable demand of the private sector that is today responsible for the high rates charged for supply of electric energy bought from the Government.

NATIONAL RAYON RACES AHEAD

MR. KASTURBHAI LALBHAI'S presidential speech at last week's annual meeting of the National Rayon Corporation conveys the determination of the management to race ahead with the programme of expansion and ancillary production undeterred by the present difficulties. Stability and progressive growth in this competitive industry can be secured through strength derived from the benefits of large-scale production. The expansion of the rayon plant and establishment of

the caustic soda chlorine plant are keeping to the original schedule and action has been completed to place orders for machinery to duplicate the rayon plant.

The present phase through which the Corporation is passing is a period of handicaps arising from several causes. The Chairman has explained the position as regards profits and tax exemption in respect of them as well as the continuance in the last year—1955—of the liability of dividends to tax. The withdrawal of concession in respect of initial depreciation on new industrial buildings is synchronising with rising costs of materials—steel and cement. Coal supply is retarded for want of wagon capacity.

There is undoubtedly one specific strain on this industry which can be relieved by positive change in Government's import policy. Last year National Rayon's profit remained virtually static at the level of 1954 despite an increase in the output of yarn. This is because of the depressed rates of prices. This difficulty threatens to continue during 1956. As against the requirements of yarn of 45 million lbs., imports this year, calculated at the rate of last nine months of 1955, will be 51 million lbs. To this supply must be added the domestic output. Meanwhile, the strategy of foreign manufacturers to undercut prices persists. Deniers 150 and 120 which are in popular demand here are offered by them at lower prices than those charged at home. In the light of this unfair situation the Chairman's plea for import restriction in the next licensing period must be considered in real earnest.

SUSPENSION OF SURPLUS COTTON BY US

FOLLOWING THE passing of the Farm Bill in the US, the US Department of Agriculture declared a suspension of the surplus cotton sales for export, an action which has no parallel in American cotton history and which ill becomes an operation of such magnitude as the one involving disposal of as much as (reportedly) five million bales of cotton in world markets at competitive prices. Ever since details of this disposal were announced, early in the last week of April, Shippers had been on the move making arrangements to buy this cotton for purposes of export after the commencement of the marketing season, that is on August 1, 1956. But, as a result of this unexpected suspension of sales now, these shippers cannot keep up their schedule of purchases with the Commodity Credit Corporation and are naturally anxious for an early commencement of bidding.

Meanwhile, cotton interests have become apprehensive as to whether the US would fix the minimum price even below 25.50 cents in order to hasten quick disposal of cotton. Playing fast and loose with the minimum price is not at all conducive to smooth trading. The first bids in respect of the extended export sales programme were as much as 27.50 cents. Hardly after a week, the Farm Bill became law calling for the sales prices to be fixed at 25.50 cents or below! Thus, the reduction in the minimum price quoted for the CCC disposal cotton was both sudden and substantial. American agricultural officials evidently feel that, unless the price concession is substantial enough to move more cotton, there is no point in effecting a reduction. Whatever be the motive behind the latest move, it is now becoming increasingly clear that, despite all the assurances of President Eisenhower and the Secretary of the United States Department of Agriculture, America has decided to use the bait of lower prices to free herself of her cotton surplus. The temporary suspension of cotton sales, ostensibly because of the passing of the Farm Bill, may only prove to be the proverbial lull before the storm. All are anxious, therefore, to see what the cotton bids would be, when they are resumed on June 19, and to know where precisely one stands in relation to America's surplus cotton disposal plan.

Company Meeting

The National Rayon Corporation Ltd.

Speech of the Chairman, Shri Kasturbhai Lalbhai.

The following is the speech of Shri Kasturbhai Lalbhai, Chairman of the National Rayon Corporation Ltd., delivered at the ninth Annual General Meeting of the Company held on June 14, 1956.

I have great pleasure in welcoming you this afternoon and present to you for adoption the Ninth Directors' Report and Audited Statement of Accounts for the year ended December 31, 1955. Since these have been in your hands for some time now, I believe, I have your permission to take them as read.

This meeting was originally convened on May 24, 1956, but from the announcements that appeared in newspapers some time by the end of April it was found that this day was declared as a Public Holiday under the Negotiable Instruments Act. Since under the provisions of the Companies Act 1956, holding of General Meetings on Public Holidays has been prohibited fresh Notices had to be issued to convene this meeting for today. The inconvenience caused to you all is very much regretted.

The Accounts in your hands contain as usual the corresponding figures for last year. Some of the important points pertaining to the Accounts have also been covered in the Directors' Report. The amount of salaries, wages and allowances, appearing in the Profit and Loss Account, however, needs some further explanation. This amount not only includes the sum of Rs. 7,08,135 shown in the Profit and Loss Account as payment in respect of previous year which includes bonus for the year 1954 and the difference in wages but also includes the sum of Rs. 6,93,255 provided for payment of bonus for the year 1955 and since paid to the employees of the Company.

Though the actual production in the year 1955 was higher than the previous year the profits earned by the Company have remained almost the same mainly due to lower rates realised for the sale of the Company's yarn.

The expansion of the Rayon Plant and also putting up of the Caustic Soda Chlorine plant are progressing at the Plant site according to schedule. Recently steps have been taken to order out further machinery and with the placing of this order the duplication of the Rayon Plant as originally envisaged is likely to be achieved in the near future.

The advantage conceded by section 15C of the Income-tax Act exempting from tax profits up to 6 per cent of the capital employed by new industrial undertakings cannot be availed of by this Company even in this 5th and last year of the benefit period. Since the Company does not expect that the profits hitherto made will catch up with the depreciation and unabsorbed depreciation the dividends to be received by the shareholders this year also will continue to be liable for tax in their hands though there will be no deduction of tax at source. The Finance Act of 1956 has imposed fresh burdens on Companies by way of super-tax on dividends declared in excess of 6 per cent on the paid-up equity capital. However, the Company may not have to pay this tax as there is expected to be no assessable income for the year 1955 as explained earlier.

You are perhaps aware that effective from April 1, 1956, the facility afforded to industries by way of initial depreciation on new buildings has been withdrawn. Whereas it is conceded that it is necessary to find out new sources of taxation for raising finance for implementing the ambitious Second Five-Year Plan, the withdrawal of this concession would coincide with the scarcity in the country of building materials such as steel and cement which will compel the use of imported materials at a much higher cost. It is hoped the combined effect of these will not go to retard the expansion programme undertaken by the Private Sector.

As I said last year, adequate supply of power and coal are a must for expansion of industry as a whole. The electrical energy required for meeting the expansions undertaken by the Company are expected to be met from public sources of supply. However, the position regarding the supply of wagons for the movement of coal is most unsatisfactory. It appears that the Railways are behind schedule in increasing the carrying capacity to cope up with the increased movement demands consequent upon the successful implementation of the First Five-Year Plan. Demands on the transport system are bound to increase when the Second Five-Year Plan is in the process of implementation, particularly when the capital goods for the huge steel and electrical projects begin to arrive. It is hoped that the steps being taken by the Government in this connection would bring out satisfactory results and the transport bottlenecks experienced by the industries would be solved, enabling the industries to play their due part in the planned development of the country.

The policy regarding the import of Rayon Yarn adopted by the Government appears to have suffered a slight shift towards liberalisation for sometime past. Whereas it was expected that with the increased indigenous production Government would take steps to reduce imports from abroad, the actual figures of imports disclosed by the official figures for the nine months ended December 1955, reveal an import of as much as 38 million lbs. of rayon yarn into this country. At this rate, the total imports for the financial year ended March 1956 are likely to be about 31 million lbs. which together with the actual production of the indigenous industry would make available to the country a much larger quantity of rayon yarn than the estimated annual requirements of the country of about 45 million lbs. The unhealthy competition by foreign manufacturers referred to in my last speech that they sell the two popular deniers of 150 and 120 at the same rates in this market maintaining much higher rates for their domestic sales, continues. Our Government, I am sure, will bear this in mind while formulating the import policy for the next period.

This time last year the Conference Line of Steamers had contemplated to levy a surcharge of about 35 per cent on the freight rates on cargo shipped to the ports of Bombay and Calcutta. Thanks to the timely intervention of the Central Government and the speedier clearance of cargoes at both these ports, the contemplated

plated surcharge was not enforced. It is hoped that the speedier clearance and turnover effected at these important ports will continue to be maintained hereafter also for the general good of the industrial progress of the country.

To fall in line with a few important provisions of the new Companies Act, certain resolutions have been placed before the Annual General Meeting for your approval. They are incorporated in the notice convening the meeting. Explanatory notes have also been printed and sent along with it. I hope the same will, when moved at the proper time, receive your due consideration.

THE EASTERN ECONOMIST

(Subscription Rates)

	Payable in advance	
	India Rs.	Foreign Rs.
Annual	50	66
Half-yearly .. .	25	33

Copies delivered by air in Bombay, Calcutta and Madras at an extra cost of Rs. 9/- per year.

Foreign air rates on application. Offices in New York, London and Tokyo.

The Manager,
THE EASTERN ECONOMIST LTD.,
52, Queensway
NEW DELHI

growing confidence

31st December, 1955

Deposits ... Rs. 90.12 Crores
Working Funds ... Rs. 112.89 Crores

One year ago

31st December, 1954

Deposits ... Rs. 75.64 Crores
Working Funds ... Rs. 91.16 Crores

Chairman

Shri S. P. Jain

THE PUNJAB NATIONAL BANK LTD.

Head Office: Delhi

SIXTYONE YEARS STRONG IN SERVICE

R. L. Tuli - Offgng. General Manager

COMPANY AFFAIRS

IMPROVEMENT IN COTTON TEXTILE

In the beginning of the year 1955, conditions in the cloth market were not very hopeful. However, as the year advanced, the conditions took a turn for the better with a larger offtake and higher prices. Towards the end of last year, the position was satisfactory and prospects for the current year appear to be hopeful.

THE LAKSHMI COTTON MANUFACTURING CO., LTD.

The profit of the Company, before providing for depreciation and taxation, for the year ended December, 1955, stands at Rs. 21,79,447 which represents an increase of about 60 per cent over the previous year's profit figure of Rs. 13,58,668. Together with the sum of Rs. 19,080 brought forward, the amount totals Rs. 21,98,527. An interim dividend of Rs. 12-8 per ordinary share was paid in November last which absorbed Rs. 1.60 lakhs, leaving a balance of Rs. 20,38,527. The Directors have transferred to depreciation Rs. 7,81,640; to reserve for taxation Rs. 7,05,000; to gratuity fund Rs. 33,000; and to engine and machinery fund Rs. 61,143.

Out of the net balance of Rs. 4,57,744, the Directors have recommended the usual dividend of Rs. 12-8 per preference share (less income-tax). A final dividend of Rs. 30 per ordinary share makes it Rs. 42-8 for the year, free of tax. The ordinary dividend has thus been stepped up by over 60 per cent, as compared to Rs. 26-4 per share for 1954. Between them the dividends absorb Rs. 4.43 lakhs. The balance of Rs. 14,744 has been carried forward.

With a view to diversifying the productive capacity of the mill, a printing plant has been installed, and completed since, and the Bleach House capacity has been enlarged by adding modern machinery.

THE VISHNU COTTON MILL, LTD.

The working results of the Company for 1955 are highly satisfactory. As against a loss of Rs. 1,26,341 during 1954, the accounts for 1955 show a profit of Rs. 15,35,692. Adding the previous balance brought forward, the amount totals Rs. 15,57,941. Out of this sum, the Directors have transferred Rs. 7,58,199 to depreciation; Rs. 3 lakhs to depreciation, renewal and extension fund; Rs. 32,000 to gratuity fund; Rs. 2.86 lakhs to general reserve; Rs. 1,33,747 to debenture redemption reserve; and Rs. 25,000 to debenture issue expenses, which leaves a balance of Rs. 22,995. From the dividend fund, a sum of Rs. 3.37 lakhs has been transferred making available an amount of Rs. 3,59,995. Deducting therefrom Rs. 80,000 paid as interim dividend in November last at Rs. 2-8 per ordinary share, there remains Rs. 2,79,995.

With a final dividend of Rs. 5-8 recommended by the Directors to be paid per ordinary share, making it Rs. 8 per share for the year, the rate of dividend has been doubled as compared to the previous year. On preference shares, the dividend at Rs. 35 per share is the same as in 1954. Together, the dividends absorb Rs. 2,58,870, which leaves Rs. 23,125 to be carried forward.

THE ELPHINSTONE SPG. & WVG. MILLS CO., LTD.

In its working during the year ended December, 1955, the Company made a profit of Rs. 10,73,363 which is close to double of the figure for 1954 at Rs. 5,44,677. This is after providing for bonus and setting aside Rs 5

lakhs for taxation but before providing for depreciation. Adding the previous year's balance brought forward, the amount totals Rs. 11,06,159. Out of this amount, depreciation has been appropriated Rs. 5 lakhs and the interim dividend at Rs. 2-8 per ordinary share of Rs. 50, free of income-tax, absorbs Rs. 1,49,902. This leaves a balance of Rs. 4,56,257 out of which the Directors have recommended: Dividend of Rs. 7 per cumulative preference share of Rs. 100 absorbing Rs. 1.75 lakhs; and a final dividend on ordinary shares at Rs. 2-8 each (making it Rs. 5 for the year) which takes Rs. 1,49,903. The balance of Rs. 1,31,354 is proposed to be carried forward.

A bonus pact covering five years from 1953 to 1957 was concluded by the Bombay Millowners' Association. The Company had accordingly to provide Rs. 6 lakhs in the accounts of the year under review towards the payment of bonus for 1953 to 1955. In view of this additional incidence, the profits for the year are satisfactory.

THE GOKAK MILLS, LTD.

Before making provision for taxation and depreciation, the Company's profit for the year ended December, 1955, amounts to Rs. 21,71,632 as against Rs. 14,63,081 which it had earned during the previous year. With the carry forward of Rs. 37,169, the sum totals Rs. 22,08,801. The transfers made are: to reserve account Rs. 2,00,564; to depreciation Rs. 4 lakhs; to taxation reserve Rs. 7.20 lakhs; to development reserve Rs. 1.20 lakhs and to staff gratuity fund Rs. 22,087. This leaves available a sum of Rs. 7,46,150 out of which the Directors have recommended payment of Rs. 7,32,150 as dividend at Rs. 15 per share, free of income-tax. The balance of Rs. 14,000 is to be carried forward.

During the year under review, additions and extensions were made to the machinery and buildings and a 1000-kw diesel alternator was installed which is now in operation.

THE INDO-BURMA PETROLEUM CO., LTD.

The accounts of the Company for the year ended December, 1955, show that, after providing Rs. 4,82,383 for depreciation on buildings, plant, etc., and Rs. 28.90 lakhs for taxation, and transferring Rs. 2 lakhs to investment depreciation reserve account, the profit amounts to Rs. 25,76,587. This figure increases to Rs. 43,35,237 after including Rs. 63,650 brought forward; Rs. 6.95 lakhs transferred from taxation account, considered to be in excess of anticipated liabilities and Rs. 10 lakhs transferred from general reserve to cover payment of a bonus dividend of Re. 1 per ordinary share.

The usual dividends on preference shares have absorbed Rs. 2,58,125. The bonus dividend accounted for Rs. 10 lakhs and an equal amount was paid out as interim dividend at Re. 1 per share. With the payment of a final dividend of Rs. 2 per share on ordinary share capital, which absorbs Rs. 20 lakhs, there remains a balance of Rs. 77,122 to be carried forward.

During the year under review, the Company started negotiations for the acquisition of a substantial interest in Balmer Lawrie and Co., Ltd. These negotiations have since been concluded satisfactorily and 20,000 equity shares have been purchased by the Company.

COTTON YARNS

OF ALL DESCRIPTIONS

FOR HANDLOOM, POWERLOOM & HOSIERY FACTORIES

MADURA MILLS COMPANY LIMITED

Phone: 250 (5 lines)

MADURAI
(SOUTH INDIA)

Telegrams: "HARVEY"

MILLS AT

MADURAI, TUTICORIN AND AMBASAMUDRAM

5,00,000 Spindles

Counts up to 80s

We Supply:

WARP YARNS, COMBED YARNS, HOSIERY YARNS, CONE, CHEESE AND HANK YARNS, SINGLE AND FOLDED.

SPECIALITIES:

Yarns for the Manufacture of

**ROPES — HEALDS — CANVAS — TAPE
BELTING DUCK — TYRE CORD FABRIC — SEWING THREAD
MULTI-PLY & CORD YARNS**

Managers:

A. & F. HARVEY LIMITED

PANDYAN BUILDING

MADURAI
(SOUTH INDIA)

Phone: 420 (4 lines)

Telegrams: "HARVEY"

COMMODITY NEWS AND NOTES

WOOL PRODUCTION

It is estimated that production of wool and hair tops in the eleven major producing countries increased by about 9 per cent in the first quarter of 1956 compared with the previous three months and totalled 277 million lb. The largest increase was in the United Kingdom where output rose by 6.3 million lb. (8 per cent) to 84 million lb. In the United States production expanded by 5.3 million lb. (16 per cent.) to 39 million lb. and in France by 4.7 million lb. (11 per cent) to 49 million lb. There was also a 4 million lb. increase in Japanese output, which rose by 18 per cent. Although figures for tops production in Uruguay are not available, some idea of the trend of output in that country can be obtained from export returns, since the greater part of the production is known to be for export.

INCREASE IN VEGETABLE OIL EXPORTS EARNINGS

Export earnings from vegetable oils rose sharply to Rs. 343,000,000 during the year ended March 1956 from Rs. 199,900,000 in the previous year. In addition to higher prices available for vegetable oils in the world markets, the quantum of oils exported rose to 5,730 cwts., from 3,230 cwts. during the year 1954-55. Demand was good for vegetable oils in general, but it was particularly so for linseed oil, the export earnings of which totalled Rs. 94,300,000 during 1955-56 compared to only Rs. 11,300,000 in the previous year. The quantum of linseed oil exports also increased from 196,526 cwts to 1,620,000 cwts. Exports of groundnut oil rose from 2,010,000 cwts. valued at Rs. 128,300,000 in 1954-55 to 2,500,000 cwts. worth Rs. 156,900,000 and those of castor oil from 603,416 cwts. valued at Rs. 35,300,000 to 778,716 cwts. worth Rs. 40,900,000 during the year under review.

DIAMOND OUTPUT IN INDIA

According to the latest figures available, production of diamonds in the country slackened in 1954 to 1,955 carats, valued at Rs. 474,326 from 2,207 carats valued at Rs. 561,620 in the previous year. Panna in Vindhya Pradesh is the only area reported to produce diamonds in commercial quantities. Most of the Panna diamonds are brilliant white or bluish white, and hence of good quality. Diamonds are also known to occur in Cuddapah, Anantpur, Bellary and Kurnool districts of Andhra. The output of emerald for which India has been famous in the past, is declining. While the country produces 550,938 carats of emerald valued at Rs. 230,374 in 1953, the corresponding figures for 1954 come to only 509,180 carats and Rs. 670,406. Ajmer, Marwara and Udaipur in Rajasthan are the important emerald producing centres.

WORLD RUBBER STOCKS

World stocks of natural rubber at the end of April stood at 822,500 long tons, according to the International Rubber Study Group. Stocks of synthetic rubber at the end of the month were 207,500 long tons. Production totalled 102,500 and consumption 92,500 long tons.

MINERAL PRODUCTION

The latest figures available indicate a general setback for the Indian mineral industry during 1954. The total value of minerals, excluding petroleum produced in the country was Rs. 1,020 million against Rs. 1,130 millions in the previous year. The diminution in the total value is mainly accounted for a shortfall of about 25 per cent in the production of manganese coupled with a depreciation of its export value.

WORLD RUBBER CONSUMPTION

World consumption of natural rubber recovered slightly in April to 152,500 tons compared with 150,000 tons in March, although still below the February level of 160,000 tons. Consumption in the first four months of the year was nevertheless some 7,500 tons more than in the same period of 1955, 627,500 tons as against 620,000 tons. Natural rubber production rose sharply during April and exceeded consumption by some 2,500 tons. In March consumption had exceeded output by 22,500 tons. Even so, the figures for the first four months of the year show that consumption has been running ahead of production by an average of about 14,400 tons a month. Stocks rose by 17,500 tons during April, but at 822,500 they were nevertheless 62,500 tons below the level at the beginning of January. A year previously they stood at 775,000 tons.

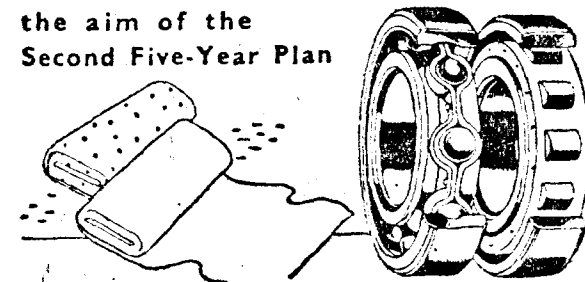
BAISAKHI LAC CROP YIELD PROSPECTS

The yield of the Baisakhi lac crop in India for the current year is expected to be lower than the previous two years, says a report issued by the Indian Lac Cess Committee, Ranchi. According to the revised reports, the yield is put at 6,72,000 maunds as against the preliminary estimates of 7,51,000 maunds, issued in March last, and the final estimates of 8,13,000 maunds for 1955. The normal yield based on the average production of 10 years preceding 1955 is 7,10,000 maunds. In the Maunbhum and Singhbhum districts of Bihar, the biggest lac-producing State of India, the arrivals of the new crop are lower than expected. Hence, the revised estimates for Bihar have been reduced to 4,25,000 maunds. In major lac-growing areas of Madhya Pradesh also the crop suffered damage due to excessive heat in the months of April and May and hence the estimates for this State too have been reduced to 1,39,000 maunds.

As far as other States are concerned the arrivals of the crop in the market have been up to expectations.

MORE CLOTHES FOR THE MILLIONS...

the aim of the
Second Five-Year Plan



Playing a significant part in this is...

N B C

BALL & ROLLER BEARINGS
NATIONAL BEARING CO. LTD., JAIPUR

Stockists:—

M/s. H. M. Doyal & Co., 55, G.B. Road, Delhi.

M/s. S. C. Kumar & Co., 59, G.B. Road, Delhi.

CURRENT STATISTICS

INDEX NUMBERS OF WHOLESALE PRICES AND SECURITY PRICES

		Wholesale Prices (General Purposes Index)* Year Ended August 1939=100						Security Prices †† (1949-50=100)			
		Food Articles	Indus. Raw Matrls.	Semi-manufactured Articles	Manufactured Articles	Miscellaneous	General Index	Govt. and Semi-Govt.	Debentures	Preference	V. D. I.
1947-48	..	306.1	377.5	261.6	286.4	456.2	308.2	..	..	..	..
1948-49	..	382.9	444.8	327.3	346.1	525.2	376.2	..	..	..	..
1949-50	..	391.3	471.7	331.6	347.2	570.7	385.4	..	..	..	..
1950-51	..	416.4	523.1	348.9	354.2	707.4	409.7	..	..	..	..
1951-52	..	398.6	591.9	374.4	401.5	721.6	434.6	..	..	..	..
1952-53	..	357.8	436.9	343.8	371.2	614.1	380.6	..	..	..	..
1953-54	..	384.4	467.7	359.2	367.4	686.6	397.5	90.4	100.6	87.3	95.6
1954-55	..	339.8	436.2	359.3	377.3	612.4	377.4	90.5	100.7	88.4	113.0
August 1955	..	317.5	404.2	326.3	371.2	563.1	357.3	90.9	100.7	87.8	122.8
September	..	313.0	396.1	324.8*	368.8	556.3	353.2	90.9	100.7	87.2	122.8
October	..	315.7	403.7*	329.8	371.2	559.3	357.2*	91.0	100.7	87.2	124.5
November	..	326.5	418.9*	338.1	373.3	543.3*	365.0*	91.0	101.0	87.7	129.9
December	..	323.7*	438.3	346.6	373.0	544.2	368.4	91.0	101.0	87.7	130.6
January 1956	..	333.4*	454.2*	353.5*	375.2	540.0*	376.0*	91.0	101.0	87.3	125.7
February	..	335.3	464.6*	355.8	375.3*	529.1	378.4*	91.3	101.1	86.7	121.0
March	..	351.6	475.6	369.4	374.8	508.1	387.3	90.9	101.1	85.8	122.0
April	..	360.9	472.8	377.0	375.6	496.7	391.2	90.9	100.9	85.5	123.0
May	..	305.5	478.0	384.1	376.8	501.8	390.2	91.1	100.8	85.1	123.8
Week Ending											
5-5-1956	..	353.5	469.6	380.9	374.9	499.7	388.9	91.0	100.9	85.3	122.4
12-5-1956	..	350.1	475.2	382.8	378.2	498.0	389.8	91.0	100.9	85.1	124.1
19-5-1956	..	350.5	483.5	385.0*	377.1	501.0	391.3*	91.2	100.8	85.0	124.3
26-5-1956	..	348.2	484.3	386.9	376.9	508.2	391.1	91.2	100.8	85.1	124.4
2-6-1956	..	353.8	478.0	385.4	376.7	506.0	391.6	91.2	100.6	85.1	124.4

†Economic Adviser's Series.

*Average of weeks.

*Revised

††Reserve Bank Series.

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS
(August 1939=100)

Period	Bombay		Delhi		Bengal	U. P.	Central Provinces		Madras	E. P.	Bihar	All India†
	Bombay	Bombay June 1934 = 100	Ahmedabad July 1927 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1936 = 100	Ludhiana†	Jamshedpur†	
1939 (Aug-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
1948	288	303	243	132	339	471	372	146	309	168	136	134
1949	292	307	248	132	348	478	377	151	323	164	138	138
1950	288	313	257	132	349	434	372	153	325	165	145	138
1951	314	330	261	142	370	451	391	168	334	167	160	144
1952	321	337	250	143	351	441	380	150	330	151	154	141
1953	346	363	275	140	349	453	387	151	351	147	156	145
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	218	130	323	371	364	133	321	134	135	132
1955 July	324	340	224	129	325	371	364	136	316	134	134	132
August	325	341	229	134	329	375	367	137	318	136	138	134
September	317	333	224	133	327	373	367	133	322	138	137	132
October	315	331	225	134	334	385	369	134	323	139	139	134
November	314	330	229	136	339	392	369	138	327	144	141	135
December	316	332	230	140	329	393	375	143	334	148	141	135
1956 January	318	334	226	139	319	404	378	146	334	—	138	133
February	321	337	224	137	315	394	—	—	333	—	—	133
March	334	350	230	139	325	398	—	—	340	—	—	—
April	342	358	239	—	338	409	—	—	354	—	—	—

† Base 1944=100

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)

	WEEK ENDED											
	15-6-1956			8-6-1956			1-6-1956			26-5-1956		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per fine tola) ..	103- 8	102- 5	103- 0	104- 3	102- 0	103- 5	104- 5	100- 2	102- 8	103- 0	99-15	100-14
Silver (per 100 fine tolas)	170- 8	169- 1	169-11	171- 9	168-13	170- 8	170-13	168-13	170- 2	175- 2	169- 4	173- 5

INDIA'S TRADE WITH THE U. K.

I. PRINCIPAL EXPORTS

(Thousand £)

	Year 1955	April 1955 1956		4 Months Jan.-Apr. 1955 1956	
		1955	1956	1955	1956
Total All Exports	158,949	11,734	12,755	66,871	48,712
Of which :-					
Tea	75,420	4,544	5,795	40,114	21,663
Leather, leather manufactures & dressed furs	12,625	1,110	926	4,305	5,120
Tobacco & tobacco manufactures	7,177	646	488	903	762
Hides, skins & fur skins, undressed	4,911	205	484	1,624	2,173
Wool & other animal hair and tops	4,535	208	693	1,113	2,042
Cotton	1,392	240	118	639	299
Miscellaneous textile fibres & waste	1,978	138	171	725	706
Metalliferous ores & metal scrap	2,431	177	345	937	889
Miscellaneous animal & vegetable crude materials	4,949	440	320	1,835	1,509
Animal & vegetable oils, fats, greases & derivatives	8,497	604	393	1,774	2,026
Cotton yarns & woven fabrics	7,041	399	607	2,653	2,499
Miscellaneous textile manufactures	14,400	1,987	1,509	6,465	4,791

II. PRINCIPAL IMPORTS

(Thousand £)

	Year 1955	April 1955 1956		4 Months Jan.-Apr. 1955 1956	
		1955	1956	1955	1956
Total All Imports	129,793	10,974	13,172	43,856	55,606
Of which :					
Machinery other than electric	32,344	2,280	3,982	10,391	14,592
Electric machinery, apparatus & appliances	16,246	1,228	1,747	5,510	6,896
Wool & other animal hair and tops	4,818	514	565	1,919	1,844
Petroleum & petroleum products	1,737	181	299	736	884
Chemicals	16,148	1,289	1,575	5,503	6,773
Caper, paperboard & manufactures thereof	1,717	195	83	685	537
Iron and steel	8,825	516	1,404	2,832	5,325
Non-ferrous base metals	2,248	214	221	794	733
Manufactures of metals	6,984	637	486	1,837	5,498
Railway vehicles	3,365	606	190	1,560	1,932
Road vehicles & aircraft	10,038	1,007	993	3,465	4,107
Scientific instruments; photographic & optical goods; watches & clocks	2,975	275	249	1,072	896

III. INDIA'S IMPORTS OF MACHINERY FROM THE U. K.

(Thousand £)

	Full Year 1953	April 1955 1956		4 Months Jan.-Apr. 1955 1956	
		1955	1956	1955	1956
Total Machinery	48,590	3,508	5,729	15,901	21,488
Of which :-					
Boiler & boiler-house plant	1,782	122	235	544	909
Internal combustion engines	1,787	160	193	619	683
Agricultural machinery	187	12	14	65	87
Agricultural & track-laying tractors	908	38	189	334	434
Machine tools (excluding portable power tools)	2,408	200	251	780	909
Pumps	837	44	67	226	314
Industrial & works trucks & tractors & mechanical handling equipment	1,504	109	292	582	890
Excavating & earth-moving machinery & road rollers	1,395	161	241	548	656
Mining & well drilling machinery	414	22	48	101	136
Printing & bookbinding machinery & printing type	709	30	63	212	265
Textile machinery	7,286	500	800	2,197	3,558
Air-conditioning & refrigerating machinery	296	24	21	97	110
Generating sets, generators & motors	2,224	169	251	857	1,150
Converting machinery, transformers, switch gear & switchboards	3,954	252	435	1,435	1,536
Electronic valves, & radio, television, radar & sound reproducing apparatus	1,979	205	161	684	649
Telegraph & telephone equipment & line apparatus	645	70	30	286	175
Electric cables, wires, strips & strands, insulated	3,927	281	527	1,093	1,933

Source :- Trade and Navigation Accounts of the U.K. (H.M.S.O.)

AGRICULTURAL PRODUCTION

Index Numbers of Agricultural Production

(Base: 1949-50=100)

								1951-52	1952-53	1953-54	1954-55	1955-56
												Estimated
I. Food grains:												
Cereals	..	..	..	..	..	..	..	91	101	119	112	112
Pulses	..	..	..	..	..	..	..	90	99	112	113	108
Total food grains	..	..	..	..	..	..	..	91	101	118	112	111
II. Non-food grains:												
Oilseeds		..	..	..	..	..	..	97	92	107	115	108
Cotton		..	..	..	..	..	..	119	121	153	166	162
Jute	..	..	..	..	..	..	..	151	149	101	102	136
Miscellaneous :												
Sugarcane		..	..	..	..	..	..	123	120	90	112	118
Other crops including plantation crops					..	..	..	105	107	105	111	125
Total non-food grains		..	..	..	..	..	..	111	104	106	117	122
All commodities		..	..	..	..	..	..	93	102	114	114	115

Agricultural Production

							1951-52	1952-53	1953-54	1954-55	1955-56
											Estimated
Cereals	..	..	..	..	..	Million tons	42.9	49.2	58.3	55.3	55.0
Pulses	..	..	..	..	..	„	8.3	9.1	10.4	10.5	10.0
Total food grains	..	..	..	..	..	„	51.2	58.3	68.7	65.8	65.0
Major oilseeds	..	..	..	..	..	„	4.9	4.7	5.3	5.9	5.5
Sugarcane (gur)	..	..	..	..	..	„	6.1	5.0	4.4	5.5	5.8
Cotton	..	..	..	..	..	Million bales	3.1	3.2	3.9	4.3	4.2
Jute	..	..	..	..	..	„	4.7	4.6	3.1	2.9	4.0

Production of Food Grains

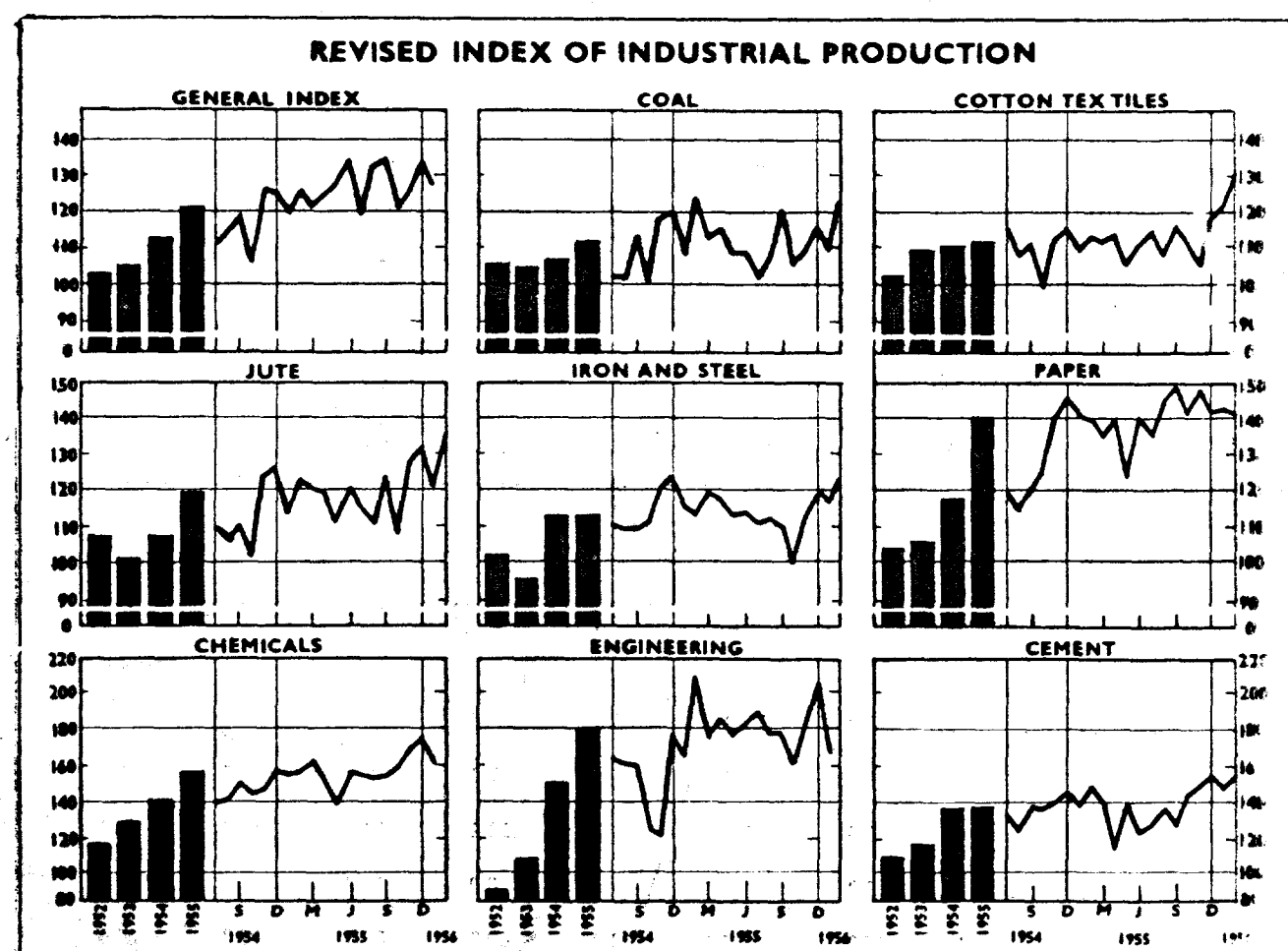
(Million tons)

					1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56
											Estimated
Rice	..	..	..	..	23.3	20.3	21.0	22.5	27.8	24.2	25.5
Wheat	..	..	..	..	6.3	6.4	6.1	7.4	7.9	8.5	8.5
Millet (Jawar and Bajra)				..	8.5	8.0	8.3	10.4	12.4	12.6	12.0
Other Cereals	..	..	..		8.0	7.0	7.5	8.9	10.2	10.0	9.0
Total cereals	..	..	..		46.0	41.7	42.9	49.2	53.3	55.3	55.0
Gram & pulses	..	..	..		8.0	8.3	8.3	9.1	10.4	10.5	10.0
Total food grains			..	..	54.0	50.0	51.2	58.3	63.7	65.8	65.0

REVISED INDEX OF INDUSTRIAL PRODUCTION

(1951=100)

Year and month	General Index	Coal	Cotton Textiles			Jute	Chemicals	Cement	Iron and Steel	Gen. Engineering	Paper	Sugar	Tea	Electricity
			Total	Yarn	Cloth									
		2	3	4	5	6	7	8	9	10	11	12	13	14
1952 ..	103.6	105.6	102.3	103.0	102.0	107.6	117.9	110.7	102.2	92.8	104.2	134.0	98.6	104.5
1953 ..	105.6	104.5	109.1	108.4	109.5	101.1	130.0	118.3	95.7	108.9	105.5	115.8	96.7	113.1
1954 ..	112.9	107.2	110.9	113.5	109.5	107.3	141.1	137.6	113.2	151.9	117.7	97.4	102.1	127.0
1955 ..	121.4	111.4	111.3	117.3	108.4	118.9	157.8	137.8	113.3	180.6	140.2	143.0	105.2	131.2
July 1954	111.5	101.7	114.9	116.9	113.9	109.3	139.6	134.4	110.6	163.8	119.1	—	121.1	126.8
August ..	114.4	101.5	107.8	112.2	105.7	106.0	141.1	126.1	109.9	160.5	114.2	183.9	97.9	127.1
September ..	118.9	112.4	110.4	115.1	108.0	110.8	149.6	137.6	109.6	159.9	119.8	188.4	109.2	133.9
October ..	105.9	100.2	98.6	104.6	95.6	101.9	144.0	137.1	110.9	125.8	124.7	135.9	100.5	125.4
November ..	126.8	117.8	112.2	118.4	109.1	124.0	147.7	140.2	120.4	170.9	138.6	247.6	98.1	135.7
December ..	125.1	120.2	115.6	121.1	112.8	126.8	156.2	146.6	123.1	176.2	145.9	143.2	104.5	136.8
January 1955	119.4	108.1	109.4	114.2	107.0	113.2	155.9	138.8	116.3	165.8	141.0	125.0	134.6	133.7
February ..	126.1	123.4	112.6	119.0	109.4	122.7	156.2	148.3	113.6	211.6	139.3	114.5	142.8	139.3
March ..	121.5	113.3	111.8	114.6	110.4	120.4	161.1	140.0	119.3	175.8	134.8	138.6	98.0	130.8
April ..	124.4	114.6	112.5	116.0	110.7	119.8	152.3	115.6	117.0	187.6	138.9	230.0	88.7	142.9
May ..	126.8	108.9	105.6	110.9	103.0	110.8	139.7	138.2	112.8	177.8	124.4	380.0	99.2	141.4
June ..	132.9	109.0	110.5	116.0	107.8	120.3	156.8	125.4	113.6	184.3	140.4	385.6	108.5	148.1
July ..	119.4	101.4	115.0	120.1	112.5	115.4	155.9	128.6	111.3	190.6	134.7	64.7	122.7	145.1
August ..	131.4	107.0	107.5	114.5	104.1	111.6	154.7	137.6	112.0	178.9	146.2	412.4	104.6	141.9
September ..	133.5	119.7	115.4	121.5	112.3	123.7	154.9	129.3	110.1	178.5	149.7	349.3	106.4	148.9
October ..	121.1	105.9	110.8	118.8	106.8	107.8	159.5	144.2	100.3	160.7	142.1	210.7	103.4	144.6
November ..	125.0	109.8	105.0	114.9	100.1	128.2	120.8	151.2	113.3	182.8	147.7	213.2	170.1	150.5
December ..	132.1	116.2	119.4	126.0	116.0	132.5	174.4	155.9	119.5	203.5	142.3	160.0	108.4	157.1
January 1956	127.3	109.6	122.4	119.1	124.1	120.8	161.7	147.6	116.4	167.7	142.5	133.2	115.2	151.8
February ..	..	122.6	130.8	128.3	132.1	134.8	..	154.8	123.3	..	141.2	127.2	120.9	..



The figures for the above graph have been taken from the table above. The base year is 1951=.

With a Supplement
on
THE ELECTRICITY INDUSTRY

162177.

The Eastern Economist

VOL. XXVI. NO. 26.

NEW DELHI: JUNE 29, 1956.

PRICE RS. 1/8

CONTENTS

Leading Articles:

THE STATE BANK OF INDIA	993
IMPORTED INFLATION?	995
THE PRIME MINISTER'S TOUR	996
THE WEEK'S NOTES	997
Optimism on Plan Targets; Decimal Coinage—the New Approach; The 'Ambar Charkha'; Tito and Khrushchev; Egypt Votes for Nasser; Large Farms becoming Larger in U.S.	
WINDOW ON THE WORLD:	
Odysseus on "The Revolt of the British Middle Classes"	1001
THE MEDITERRANEAN COCKPIT	1003
WORLDGRAM AND NEWS IN BRIEF	1005

ECONOMIC REPORT FROM THE U.S.:

World Bank Loans	1011
------------------------	------

The Business World:

Small Business in the U.S.	1013
----------------------------------	------

BUSINESS NOTES 1014

Resealing of Jute Looms; Curb on Spot Trading; Allocation of Automatic Looms; Port Development; Futures Trade Resumed in Cotton and Groundnuts; Sugar Outlook; Soviet Purchase of Indian Wool.

COMPANY AFFAIRS 1917

COMMODITY NEWS AND NOTES 1013

The State Bank of India

CRISIS in the management of the State Bank of India has shown itself, in its outward and visible signs, by the resignation of its

Managing Director, Mr. S. K. Handoo, followed quickly by the resignation of Dr. John Matthai, the Chairman. There is enough in Dr. Matthai's

dignified statement—ostensibly on another issue—to indicate that there is a fundamental difference between the top management of the Bank and the Government of India. Since his resignation followed quickly that of the Managing Director—whose salary, it is known, was the subject of criticism in the Rajya Sabha during the last session of Parliament—one would be justified in concluding that there are differences in the approach to recruitment and incentives in the top cadres of officers serving with the Bank. This seems particularly inopportune at a moment when expansion in the Bank's activities is required by the Plan; surely the Government of India might have waited for a happier moment to project into the Bank a reckless dose of "ceiling" ideology. The position, so far as the Managing Director and the Senior Officers of the State Bank of India are concerned, is simple. They are officers under a contract which should not be evaded because of nationalisation unless the purposes of nationalisation or the country's progress would be severely injured thereby. This principle was applied under conditions far more revolutionary—the arrival of Independence—and it was decided that the contracts of serving I.C.S. officers should be honoured to the full. Although from time to time whispers have emanated from what are called authoritative sources suggesting revision of pensions in the Indian Civil Service, it is to the honour of the Government of India that it has not allowed its desires in these matters to overtake its written obligations.

How then can the Finance Minister of India justify by any precedent the revision of contracts with serving officers of the State Bank of India? It can only be because the Directorate of the State Bank of India has not stood foursquare on a simple issue of principle, namely, that the revision of salaries can take place on a voluntary, and no other, basis. This sensible approach seems to have been defeated by pressures within. The Vice-Chairman of the State Bank of India is unfortunately a man who, by temperament and upbringing, has never understood the place of incentives in an expanding economy. It is no accident that he himself has not succeeded in building any vital institution with survival value. It is political pressures from sources such as these which have led the Government of India to give its willing ear to unwise interference in the top management of the Bank, sowing discord and disloyalty at a time when the fullest team work was essential.

One needs to understand the character of the present argument. It has nowhere been the contention of *The Eastern Economist* that any change which assists the development of the economy as a whole should be resisted. It is not contract alone which is vital, or any privilege established by custom or even by law. The final test is whether a change in a particular contract is one which does service to the country, implying that its disadvantages to the individual are more than compensated by the good of the country at large. When it was decided to accept the current rates of pay for Indian Civil Service officers, it was not on the principle of the sanctity of all contracts—a principle which no Government coming into power with a mandate for revolution can accept—but because it was felt on balance that the advantages to be gained by the country by small economies could not possibly warrant the

creation of disloyalty in the minds of the Government's senior officers. This argument applies with full force to the State Bank of India. There is nothing advantageous to be obtained either for the State Bank of India or for the country by the nibbling away of salaries of officers near the end of their current contracts.

The justification for interference cannot be found in the performance of the Bank in the last few months. The Directors of the Bank in their Annual Report have paid a handsome tribute to the Managing Director and the senior staff of the Bank, which showed this year working results of which the Government of India should be proud. It is known that in this Bank there is a vast amount of experience which has not been reduced to writing and is part, so to speak, of personality. It is not to be forgotten that the State Bank of India goes back farther than any Indian bank, tracing its origin to one Presidency Bank in the year 1806. There has been a fine tradition of conservative judgment in the offices of this Bank; even when errors have been made from the point of view of the country, its officers have tended to watch the interests of the shareholders jealously. It is to be remembered that today although the State Bank of India is a nationalised institution there are still private shareholders. It is not clear that the Government of India has a right to injure its minority shareholders by losing at this stage valuable banking experience which new appointees may not possess. The shareholders of the Bank have every right to ask that their interests should receive due consideration.

The present situation is one which provides a challenge to the Finance Minister of India. Dr. John Matthai is, after all, an ex-Finance Minister of India and his views, although at this time contrary to those held by the Government of India in the Ministry of Finance, were at one time both the policy and the practice of the Government of India. His appointment as Chairman of the State Bank of India was cheered loudly in the Lok Sabha and his great services to the country have won appreciation from all parties and from all sections of the country. If, on an issue of this small net worth, the Finance Minister of India is unable to accommodate his predecessor, it would look as though the poison of competitive politics has gone deep into a Ministry in which politics has hitherto rightly occupied a subordinate role.

The Eastern Economist holds the view that the Directors of the Bank should decline to accept the resignation of the Managing Director or of the Chairman. They should be persuaded to remain in office until the return of the Prime Minister and all the Directors of the Bank should wait on the Prime Minister of India to request that at this hour this petty controversy in the largest financial institution of the country should be eliminated by a recognition that the province of the Chairman of the State Bank of India is one which does not bear petty interference by the Ministry of Finance. If nationalisation means the incursion of petty interference into the highest reaches of nationalised institutions, it will not be very long before the dire prophecies of the critics of nationalisation will be fulfilled.

Imported Inflation?

JULY 1 will be far from a Red Letter Day in the lives of consumers of cement and coal. On that day steep rises in cement and coal prices are likely to become effective. In the case of the cement industry this is the result of the pooling of prices of domestic cement with imported cement which costs nearly 50 per cent more. In the case of coal, it is the result of the implementation of the Wage Tribunal's award, which is now applicable to the industry as no "major" appeals were launched within thirty days after May 26. Assuming that the rise in the price of coal is only Rs. 3 per ton, the minimum which has been suggested in official circles, and that cement at the pooled price runs somewhere near Rs. 102 per ton to start with, there will be a significant impact in the wholesale index of prices, but a far more substantial impact in the areas where cement and coal form a large part of outlay.

The obvious public area in which to look for such pressures, so far as cement is concerned, is the Ministry of Irrigation and Power and the Ministry of Works, Housing and Supply. Assuming for the sake of argument that the cost of cement goes up by 25 per cent in these cases, it is not unlikely that the cost of irrigation and hydro-electric schemes may shoot up something like 10 per cent. Over the period of the second Five-Year Plan one might expect an addition of the order of Rs. 100 crores in the public sector as a result of cement, steel and coal price rises. In the case of coal the position is more complicated than cement, because of its widespread use. It has been suggested that an increase of Rs. 3 per ton would add Rs. 3.42 crores to fuel costs on the railways. The fact that metallurgical coals are used—wastefully—will make the rise worse since their prices will rise more. As a consequence of the rise in the price of coal, steel might rise by Rs. 5-8 per ton, jute goods by Rs. 1-11 per ton and cement by Rs. 1-2 per ton, quite apart from equalisation charges. Nobody quite knows today what is likely to happen, but there is certainly a round of price increases necessarily involved in the changing of the prices of coal and cement. It seems a pity that here we are taking a leap in the dark.

This is, so far as cement is concerned, a case of imported inflation. One might perhaps wonder whether it would not have been wiser to scale down portions of the building programme which use cement rather than open the doors to many bags of cement at this excessive price. The case is a debatable one. But *The Eastern Economist* considers that the Government's action in this respect has been sound when all the alternatives are weighed in the balance. The shutting off of imports where there is a high internal demand might look as though it avoids price rises due to high-priced imports. But, in point of fact, it will only be establishing black markets, in which prevailing prices would be much higher than the pooled prices now proposed.

The structure of a wholesale index which uses only controlled prices may show a measure of repressed inflation which comes from shortage of supplies. Because the raising of pooled prices is quickly reflected in the index one is apt to assume that the situation has been worsened and not improved by high-priced imports. In point of fact, there has been substantial improvement for two

reasons. In the first place, the availability of cement will enable production in many productive enterprises to proceed more rapidly. Secondly, there is deflationary pressure in additional supplies of goods under price pressure. The Indian Institute of Public Opinion has shown that this relation as a whole is not symmetrical in terms of money and goods and in the Indian system as a whole; a goods factor tends to operate against a money factor only in the proportion of 3 to 7. It is not necessary here to enter into the reasons for this asymmetry but it might be said at once that, to the extent that imports are admitted, perhaps three-sevenths of their added prices (presumed to involve an addition to the money supply) would be offset by the physical imports in question. In other words, the "imported" inflation is never equivalent to the full price rise which appears in the wholesale index. Nearly half of this price rise must be offset by the reduction in prices which added supplies have made possible.

The situation is, in some respects, parallel with the position of food imports during the period 1949 to 1952. Here if food imports had not occurred, black markets in India would have been so severe that ruling prices would have been much higher than controlled prices over large areas of the country. This would have been in itself so serious a failing of public policy that it provided a justification for heavy imports even at great cost. There was justification in *The Eastern Economist's* point of view for limited subsidies on essential articles, so as to make availability a reality to the lowest income brackets. But subsidies, even in the case of necessities, can be overdone. Thus in 1948-51 they covered an unduly large urban ration, even while right in principle.

For the present, since subsidies both to coal and cement cannot be entertained without greatly increasing a deficit budget, it is clear that additional costs have wholly to be passed on to the consumer. In choosing thus to restrict black markets and to employ a measure of price rationing the Government of India has done wisely, learning, it would seem, from the mistake of generating an excessive demand for foodgrains which was the result of an unwisely large subsidy. Some excessive demand will be cut off by price-rationing.

While the Government of India's action is to be recognised as correct in the strained circumstances prevailing, it would be foolish to deny that there is a serious price rise in consequence of the Government's policy, the full effects of which will take some time to work out but will nevertheless be almost certainly effective in raising the wholesale index. Now that we may be passing the 400 mark so early in the Plan, the country should be advised how the price level contains a tax for development which is in some measure a relief from general taxation. This time at least it is not deficit financing; this may be poor consolation but it is none the less real. Every extension of the Plan will need to be paid for in some such manner. This is not too happy a situation particularly when none of our Ministries wishes to stay at the point that the Plan prescribes, but if the Plan has underestimated productive demands, how can movements in an upward direction be avoided?

The Prime Minister's Tour

ON Thursday last week the Prime Minister left on the first lap of a foreign tour which will take him to seven countries and two continents. This trip promises to be important both because of the state of the domestic economy and because of the comparative calm now prevailing in international relations. Having successfully executed the first Five-Year Plan, this country has now launched the second Plan, whose dimensions are great and impressive indeed for the Indian economy in the present situation. It is undoubtedly an ambitious experiment sought to be carried through in the democratic way. India is making a big effort to raise her own internal resources—financial, physical and human. It is only proper that they should be supplemented in a generous measure by friendly countries, partly for the sake of co-operation and partly also from enlightened self-interest. It was not, therefore, without significance that the Prime Minister has decided to pay visits to France and West Germany, two countries which are now in one way or another trying to collaborate with us in our schemes of industrialisation.

The immediate reason which has impelled the Prime Minister to undertake the present trip, in spite of the domestic situation following the proposals for the reorganisation of States, is the conference of Commonwealth Prime Ministers at London. It is certain that important subjects will be discussed at this conference, but the convention of keeping out controversial issues has robbed the proceedings of the dramatic element. This is to some extent compensated by the opportunities the meetings provide for informal, direct exchange of views between the visiting Prime Ministers. Indeed it is outside the conference hall that the conclave of Commonwealth Premiers achieves its most substantial results, and there is every reason to hope that the present meeting will offer a chance to clear misunderstandings on many issues that trouble intra-Commonwealth relations. Due to its very basis and character the Commonwealth conference eschews such problems. For this reason it is unlikely that the Kashmir issue will be brought before it. But it helps rival points of view to be explained informally, and though a way-out may remain far away, the area of divergence and misunderstanding tends to be narrowed partially at least.

Of much more significance than the London conference would have been the scheduled, but now cancelled, meeting between the Prime Minister and President Eisenhower. Mr. Nehru would have been the second great neutral leader to have visited the United States in recent weeks. The first, Dr. Soekarno of Indonesia, has succeeded, we are told, in dispelling to some extent the suspicion with which America has been viewing neutrals. The Prime Minister's visit would have helped to clarify the role and attitude of neutrals in international politics. In a famous speech during his last visit to the US, Mr. Nehru declared that where freedom is threatened or liberty endangered, India will not remain neutral, that there is no question of neutrality in such cases. It is true that his pronouncements on certain matters might have been embarrassing to the free world and might have offered comfort to the leaders of international Communism. This is understandable, as the stand of the democratic West on such thorny problems as Goa and Indians in South Africa has not been unequivocal.

There is evidence that a broadening of vision is currently taking place in those who shape America's foreign policy and consequently the free world's strategy in the battle for men's minds. It would have been appropriate if at this juncture the leader of the world's most important neutral nation, committed to the defence of freedom, had conferred with the Head of State of the foremost Western Power. Such a meeting should have taken place much earlier, and unfortunately it has again had to be postponed. But it is still not too late for the free world of the West to learn that neutrality in the cold war does not mean neutralism altogether and that neutral nations are not to be identified with unfriendly countries.

The Prime Minister's visit to the US would, of course, have had far greater significance beyond this. An understanding at the political level of the underlying motives which impel India and other neutrals to adopt a policy of neutrality will very likely encourage a climate conducive to economic co-operation and help. This country is now on the threshold of a period of great industrial progress, but the implementation of the development plans will require considerable foreign assistance. There is a great deal of scope for foreign investment in many fields and, though American investors have a vast unexplored field nearer home in Central and South America, better diplomatic relations may induce a greater spirit of enterprise. More important, the scope for the extension of assistance in the form of loans and in technical personnel is great. It is reasonable to expect that a meeting of the two great men will help to clear the air for it. A more sympathetic attitude on the part of the US to India's aspirations can facilitate ordered progress and demonstrate to the Communists that rapid rise in living standards and reduction of inequalities will be possible even under a regime which is not wedded to their totalitarian philosophy. The cancellation of Mr. Nehru's trip, one hopes, will not mean the non-realisation of all these desirable developments.

The political benefits which could flow from greater Indo-American understanding on the international plane would have been of significance, particularly in view of the protestations of love for peace on the part of the Soviet leaders. There is, in fact, a great and overpowering need to put to the test Soviet assertions to gauge their real meaning, and Mr. Nehru might have succeeded in persuading the US to make the appropriate gestures, thereby rendering an invaluable service to mankind. In fact, the Prime Minister will have an opportunity of studying from another source the real significance and extent of the recent changes in the Soviet Union. Only a few days ago Marshal Tito has returned from a highly successful Russian tour, and he is sure to convey his impressions to Mr. Nehru. But the Marshal's opinions will need careful examination as he has special reason to think well of the present Soviet leaders who are atoning for the discourtesy shown to him by Stalin. It is to be hoped that the Prime Minister will come home with a better appreciation of Soviet and Western intentions as well as the intentions of nations which are neutral in the cold war. His meetings in London and other Western capitals and his talks with Marshal Tito and Col. Nasser at Brioni and later with the latter in Cairo should help him in this.

THE WEEK'S NOTES

OPTIMISM ON PLAN TARGETS

CONTRADICTORY PROGNOSTICATIONS on the second Plan targets have become all too common to cause any surprise. But last week there was an extreme instance of such expression of opposing views by three gentlemen who ought to know what they are talking about. The Minister of Commerce and Industry, addressing the Central Advisory Council of India, expressed confidence that Plan targets would be realised and even exceeded. He was, of course, talking only of industrial targets. But industrial production is inextricably bound up with the development of adequate transport facilities for the movement of raw materials and finished goods. If the fears of the Transport Minister and Mr. K. C. Neogy, member of the Planning Commission, that the transport bottleneck will be insurmountable, prove true, the growth of industry will meet a barrier it cannot negotiate. 'The Eastern Economist' has already pointed out that transport facilities, as provided for in the Plan, will not keep pace with the requirements of the national economy. If the targets for industry and agriculture are to be raised or exceeded, attention will have to be paid to the movement aspect also.

Mr. T. T. Krishnamachari is correct in his assessment that austerity is a luxury which only the prosperous can afford. The people may put up with temporary sacrifices and shortages, but there is a limit, both in extent and in time, to such fortitude. Maybe the targets for consumer goods will have to be increased, but every revision in this sector can only be at the expense of some other, and transport is one sector which will have to remain untouched. But there is some logic in the Government's decision to revise the targets as and when it becomes necessary according to exigencies. Such revision can be undertaken having in view the availability of resources, the demand for goods, and the possibility of moving the output where it is required. While revision of targets may come just a little too late, after increasing demand has outstripped supply and set in motion a rising price trend, it is worth enquiring whether the Government has reason to hope that more resources will later be available to the nation for expanding consumer goods production, which will be all for the good, than can be foreseen now and what ground it has for thinking so.

DECIMAL COINAGE—THE NEW APPROACH

IT HAS been announced that the new system of decimal coinage, based on a division of the existing rupee into 100 naya paise, will come into force from April 1, 1957. But, as this date draws near, it is becoming clear that the changeover will not be quite smooth, since the conversion rates between the present coins and the new ones are not entirely uncomplicated. The illiterate rural folk, in particular, may not only find the conversion table confusing but will also be at a disadvantage in transactions with the educated and wiler townsmen. It is true that difficulty will be felt primarily in regard to small transactions, but the bulk of the transactions in the rural areas come under this category. In the transition period, when the new and old coins will circulate side by side, there will be many petty headaches and misunderstandings, and it is likely that the changeover will take longer than the three years envisaged by the Government.

Some of these difficulties can be avoided under the scheme of reform suggested by Mr. C. Rajagopalachari. But the major drawback of his proposal is that it has come just a little too late even for consideration. (It

is indeed a matter for surprise that the idea of keeping the value of the 'paise' unchanged should not have struck anyone, and all attempts at reform should have started with the present rupee as the basic unit in terms of which the other coins were to be minted.) This is not the only argument against C.R.'s scheme. The par value of the rupee for foreign exchange dealings will have to be fixed; however, there cannot be much difficulty or confusion arising from this. But the salaries and wages of all salary and wage earners will have to be refixed in terms of the new rupee, which will have 25 annas and 100 of the present paise. There will be a psychological resistance to the reduction of salaries and wages in terms of the rupee, though their real value may remain unchanged.

This is certainly not the only difficulty, though the new scheme has other merits too. In particular under this all existing coins can circulate freely even after the new system comes into force, and there need be no time limit for the changeover. Only the new one-rupee, half-rupee and quarter-rupee coins will have to be minted, whereas under the proposed Government scheme four new coins will have to be minted, and the four coins they will replace will have no direct equivalents in the new standard and will have to be withdrawn from circulation at the earliest. The strongest argument against the C.R. scheme is that it will require a more far-reaching change in the accounting systems of Government and the private sector than the one adopted will entail; and the task of making the accounts of past years comparable with those of subsequent years will involve quite a deal of perhaps unnecessary labour.

THE 'AMBAR CHARKHA'

THE GOVERNMENT'S policy on the Ambar Charkha announced last week follows logically on the new textile policy which was made public only a day earlier. Mr. T. T. Krishnamachari had already indicated, albeit by implication, that the optimistic assumptions of the All-India Khadi and Village Industries Board on the economics of the Ambar Charkha programme were not quite accepted by the Government; otherwise there was no need to reduce the quota allotted to the Ambar Charkha from meeting the entire additional yarn requirements in the second Plan to supplying yarn for only 300 million yards of cloth which is a reduction to nearly a fourth of the original quota.

The new policy, it is only too evident, is a compromise between political and economic considerations. Having held up the Ambar Charkha as a sure cure for a large part of the unemployment now plaguing the country, the Congress Government cannot abandon it entirely without any warning to the Ambar enthusiasts and other constructive workers. But in the first year of the second Plan only 75,000 Charkhas are to be commissioned, with two lakhs more slated for going into operation next year based on the results of this year's programme. In comparison with the 25 lakhs contemplated earlier this looks like a field experiment, which in fact it is. The Khara Committee has also recommended that the current year's programme should be reviewed by December to decide the next year's programme, but it is essential to ensure that whoever sit in judgment over the Ambar Charkha are not its fierce enthusiasts, so that an independent evaluation on overall economic grounds is possible.

There are bound to be certain practical difficulties in implementing even the reduced programme. The Committee has recommended that at least 75 per cent of the new spinners should be from weavers' families;

but members of such families may already be engaged in some subsidiary work to assist in weaving. More-over Ambar yarn will be only up to 24 counts, so that the scope for its use on existing handlooms will be strictly limited; its evenness and tensile strength have also to be proved to be equal to that of comparable mill yarn. The Committee also wants the traditional charkha to be progressively replaced by the Ambar Charkha, but the practicability of this suggestion is open to doubt.

It is indeed laudable that the Committee should want the objective to be the elimination of all subsidy, but it is unlikely that this dream will be at all realised, since, however comparable with mill costs the cost of production of yarn, the weaving will have to be done on handlooms. In the initial stages, when Ambar cloth is produced in limited quantities, the Government may be able to buy up the entire output to meet its requirements, but thereafter direct subsidy will have to be given. Even with this subsidy, at a flat wage rate of 1½ annas per hank and average daily output at 10 or 12 hanks, the wages for such work for 8 to 10 hours a day will be only about 9 annas per head per day, at the rate of work for two persons for every charkha.

TITO AND KHRUSHCHEV

A CARTOON in a British contemporary describes Marshal Tito's triumphal return to Moscow as "the return to the prodigals". The caricature is as humorous as it is pregnant. If Bulganin and Khrushchev, the prodigals, appear to have disowned Stalinism, so does Tito, the prodigal, appear to have disowned Titoism. Between the 'limited co-existence' idea of Stalin and the 'competitive co-existence' theory of Khrushchev there is a distinction without a difference and Tito is where he always belonged. If Stalin thought in terms of 'spheres of influence' between Russia and the Western Powers, his successor thinks in terms of strenuous competition, short of war, between them for influence and positions of strength more especially in the uncommitted areas of the world. And Tito, the leading anti-Stalinist, is now probably marked out for a significant role in the 'competitive co-existence' offensive. With the coming together of Russia and Yugoslavia the familiar goals of inherently expansionist Communism may well appear less frightening to the 'neutral' nations of Asia and Africa.

Perhaps there is another side to the story. The so-called uncommitted nations are probably shrewd enough to think of gaining advantage from 'competitive co-existence' without attaching themselves to either bloc. They may even wish for the failure of Khrushchev's devious efforts to woo the United States. Is the rapprochement with Tito one such devious effort? American reactions to Tito's unexpectedly strong support for Russia's German policies and China's Formosa ambitions are far from encouraging the hope that the Yugoslav leader might succeed in bringing the two Great Powers together.

EGYPT VOTES FOR NASSER

THE OVERWHELMING vote which Col. Nasser received in the recent referendum approving him as President of the Egyptian Republic was a foregone conclusion as also the approval of the new Constitution proclaimed in January. Since the abdication of Farouk in July 1952, Nasser's star has been on the ascendant and his own prescience on what the country needs has led him to oust even the respected General Naguib. Events have been proving him right and his reformist policies, particularly in regard to the land problem, have won for him the people's confidence. His foreign policy of refusing to identify himself

with either of the power blocs has further added to his prestige.

But one has to record with regret that the Constitution as now approved does not contain many democratic features, though Nasser's assurance that this is only the beginning is a silver-lining in the cloud. Candidates to the National Assembly, which is to be shortly elected, will have to be approved by the National Union, which is the Government party; and this can in practice mean that all those opposed to the ruling set will be kept out. Similarly, though the Revolution Command stands dissolved, the members can reappear in the Cabinet. Nasser will soon have to form, thus perpetuating the control of the army. There is indeed reason for all this precaution since the old political parties, though formally dissolved, continue to have some influence in certain circles. At any rate, for some time to come, the people will prefer a benevolent despotism which promises them full democracy soon to a corrupt oligarchy.

While Egypt's domestic prospect gives no cause for pessimism, the future course of her foreign policy may cause many an anxious moment in the chancelleries of the Western world. It is to be hoped that Col. Nasser will not feel compelled to assert Egypt's rights—real or imagined—against neighbouring Israel. His public utterances may not correctly reflect his intentions in this matter as he may have to talk the language of extremism to satisfy his Egyptian audience. If this assessment is right, Israel will also be advised to be cautious lest resurgent Arab nationalism be provoked with disastrous consequences all round.

LARGE FARMS BECOMING LARGER IN U.S.

A QUARTER century trend toward fewer and larger farms in the American agricultural sector is still continuing, and the number of farms has declined from 5.4 million in 1949 to 4.8 million in 1954. This is revealed by the latest Census of Agriculture in the United States. The number of commercial farms (excluding part-time and residential farms), according to the Census, has declined from 3.7 million in 1949 to 3.3 million in 1954. Such farms with sales of \$25,000 and over have increased from 1.9 per cent of the total to 2.8 per cent; those with sales of \$10,000—\$24,999 from 7.1 to 9.1 per cent, those of \$5,000—\$9,999 from 13.4 to 14.8 per cent those of \$2,500—\$4,999 from 16.4 to 16.9 per cent. On the other hand, farms with sales of \$1,200—\$2,499 have declined from 16.8 to 16.0 per cent and those of \$250—\$1,199 from 13.3 to 9.7 per cent. The factors which have contributed to this trend of fewer and larger farms are: Increased number and variety of non-farm employment opportunities in an expanding economy; technological developments that enable a given labour force to handle an increased quantity of the other resources used in agriculture; and technological developments that have increased yields per acre and per unit of livestock.

Farms of the first group are characterised by large investments in land, buildings and machinery, a high degree of specialisation and considerable use of machinery in their operation. They had more than a fourth of the farm sales in 1950. In comparison with non-farm units, however, the majority of even these largest farms are of modest size, hiring on an average 5 regular workers and having average gross sales of \$56,000 per farm. Such large farms are hardly 'factories in the field.' The medium and large family farms (groups 2, 3 and 4) now comprise, in terms of numbers, three-fifths of the commercial farms. Farms of the fifth and sixth groups represent the small, low-production, low-income farms and share-cropper units that have been disappearing from American agriculture in recent years.

We can solve your problem...

When at Bridge you've overbid your hand
And the highest in dummy's a "jack",

You can't just sweep away the cards
And start re-shuffling the pack.



if it is INSULATION

FIBREGLASS

For heat, cold, sound & structural insulation

But FIBREGLASS can sweep away your insulation problems. Whether the trouble is thermal, acoustic or structural insulation, FIBREGLASS has the answer—in homes, factories, buildings and auditoria.

THE BOMBAY COMPANY (PRIVATE) LTD.

9, WALLACE STREET, BOMBAY 1.

Post Box 139
CALCUTTA

Post Box 109
MADRAS

Post Box 591
NEW DELHI

Post Box 10
COCHIN

ASP/FG 1

A Window on the World

THE REVOLT OF THE BRITISH MIDDLE CLASSES

By
ODYSSEUS

TODAY THE MIDDLE CLASSES in all industrialised (or industrialising) democratic countries, are the world's most completely ignored people.

Democratic politicians want votes. The middle classes constitute a percentage of the population which varies from country to country, but which is invariably smaller than the number of the rural or urban masses.

Politicians go where the votes lie thickest. In return for votes they offer legislation which promotes and protects the interests and the welfare of the masses rather than of the middle classes.

Historically there is a certain rough justice in this.

Before the industrial revolution of the West, taxation and the production of wealth was usually in the broad control of an aristocracy who were normally reluctant to support any measure detrimental to their own interests (but note that this is not to say that they were never progressively minded or could not promote the causes that benefited the nation as a whole). The industrial revolution transferred power from the aristocratic oligarchies to the middle classes or, as they were known on the continent of Europe, to the bourgeoisie. The nineteenth century was in Europe and America the century of the middle classes, who attained a political power and a material prosperity previously unimagined by the richest kings or the most world-shaking emperors.

It would be idle to deny that the nineteenth century witnessed exploitation of the working masses. Misery, oppression, and bestial conditions of living were widespread in the industrial areas of Europe and America. Tales of injustice and inhumanity fill the official enquiries published by a series of Royal Commissions in Britain.

Owing to the property qualifications laid down for an elector, the "mass vote" in the nineteenth century was the middle class vote. The workers had no votes and the aristocracy were gradually swamped by the numbers of the middle classes. In Britain, this situation was created by the Reform Act of 1832 which swept away the rotten boroughs and gave votes by secret ballot to the property-owning middle classes.

Today, abolition of all qualifications has extended the franchise to the whole adult population in all the democracies—the middle classes are out and the workers are in. Today it is the middle classes whose productive capacity is exploited and whose lives are rendered increasingly miserable by taxation and inflation.

"Serve them right!" says many a worker. "We were their forced labourers yesterday. Today they're ours. They deserve it. That's the way it should be."

TODAY'S EXPLOITED MASSES

This calls for two comments. First, while admitting the appalling suffering that accompanied the industrial revolution, it is pertinent to ask why it has in

most industrialised countries of the West been virtually eliminated. The movements for factory reform and for labour legislation ran parallel with the development of the industrial revolution and they were initiated essentially by men of the middle classes or the aristocracy, like Wilberforce, Lord Shaftesbury, Joseph Hume, Francis Place, and Galdstone. In their haste to ridicule the classical economists who created the laissez-faire school that gained economics its name as the "dismal science", the followers of Karl Marx forget that David Ricardo (1772-1823), while arguing that the workers' wages, hours, and factory conditions should not be the subject of state interference, equally strenuously maintained that the workers should be allowed to combine to negotiate the conditions of their employment. At a time when trades unions were illegal, the laissez-faire economists urged that they should be legalised.

Secondly, the vital difference between the nineteenth century, in which the masses were oppressed, and the twentieth century, in which the middle classes are oppressed, is that by preaching the doctrines of free enterprise, competition, individual savings, and self-help, the middle classes of the nineteenth century created dynamic, growing, changing, abounding, national economies, which made the countries of America and Western Europe wealthier than any fabled El Dorado. If there was terrible suffering, the statistics demonstrate that the standard of living of all classes, including that of the masses, was rising from decade to decade. As against this, certainly in Britain, France, and Scandinavia, the rate of the overall increase in wealth has today been slowed to a snail's pace and, broadly speaking, existing wealth is being redistributed in favour of the masses; the nation as a whole is not becoming wealthier.

In a nutshell, no matter what damaging admissions are made about nineteenth century exploitation of the masses by the selfishness of the middle classes, (a) that exploitation was gradually eliminated and (b) the wealth of all classes was raised—by the humane ideals and the economic ambitions of the middle classes; whereas twentieth century exploitation of the middle classes by the masses is (at any rate in Britain, France, and Scandinavia), not only unalleviated but the national economies are threatened with economic paralysis. This is because although the workers in those countries expect an ever-rising standard of living, they refuse to work any harder to create the necessary addition to the national income, and they refuse to allow machinery to do the job for them. To a perilous extent, the wealth that is being created in Britain today originates in investments in equipment and machinery made decades ago, even in some cases as far back as the nineteenth century. British industry needs a vast expenditure of capital on modernisation. Her industrial leaders are aware of this and, as explained here on January 13 (Whither Britain in 1956?), when the Conservative government had removed the Labour government's impedimenta of controls and a return to economic enterprise (in the real sense of the word "enterprise") became once more a real and exciting possibility, they launched out on innumerable capital development schemes. What they had not reckoned on was the British worker's determination neither (a) to

Eastward—ho
to

Tokyo!

Every Thursday
Every Sunday

LESS than 24 hours away
lies the profitable market
of Japan. Fly there to
increase your contacts,
expand your business,
make new friends.

In Constellation comfort . . . with every First
Class seat a 'Slumberette'.

BOMBAY - CALCUTTA -
BANGKOK - HONG KONG
- TOKYO

AIR-INDIA



International



9-A Connaught Place, New Delhi. Tel: 40503

work harder to raise productivity so that his present standard of consumption could be maintained and an additional margin for savings provided that could be allocated to investment, nor (b) to achieve the same result by working no harder but allowing economies in production methods, nor (c) to accept any diminution in his consumption. You could not find a more perfect formula to promote inflation.

HOME TRUTHS ABOUT SAVING

New factories and equipment cannot be built out of current consumption. Somebody must save to build them. If savings are not voluntary they will be compulsory. If the workers will not save either by cutting their consumption or by raising their productivity, and if the middle classes have no margin left for voluntary saving, then saving will be effected by inflation, which achieves its end by forcing those with fixed incomes out of the market. This is unjust and socially dangerous (unless you are among those who enjoy the heat, dust, and blood of revolution). The British workers contract out of compulsory savings through inflation because by threatening the employers with strikes and the politicians with loss of votes, they secure higher wages. So the middle class is left to be squeezed dry, for even if they could strike for higher salaries the additional pay would be mopped up by the penal rates of income tax in the higher brackets into which they would soon penetrate. In Britain today you get into the super tax class at £2,000 a year, yet this is the equivalent of a pre-war income of only £700. How would you like to find yourself in the super tax class, on a income of Rs. 9,100?

But—and here I come to the hub and the nub of this article—at long last the British middle classes are organising for revolt.

A group of influential liberals has launched the People's League for the Defence of Freedom, the proclaimed objects of which are: 1. To organise public support for a policy which will afford protection and help for all citizens whose standard of life or freedom is threatened by the growing abuse of power by trades unions or by administrative tribunals from whose decision there is no right of appeal to an independent judicial authority. 2. To uphold the liberty of the press by sponsoring a printing undertaking free from trades union dictatorship. 3. To seek by all constitutional means to reform the law as it affects trades unions in order that they cannot act as a state within a state or put themselves above the law. 4. To subject all expenditure of public money to rigorous and continuous scrutiny and to campaign for the progressive reduction of rates and taxes and the elimination of bureaucratic waste. 5. To combine in protecting its members from any infringement of their traditional liberties from whatever source it may come.

Preliminary success has attended the public meetings and the advertising campaign promoted by the League which rightly declares that its only chances of lasting success lie in quickly attaining a membership running into millions which will put it on a par with the trades unions as a power with which governments have to reckon.

What, I may be asked, has all this to do with India? I will tell you next week.

THE MEDITERRANEAN COCKPIT

(From Our Special West European Correspondent)

BARCELONA, June 22.

HERE beside the smooth, summery waters of the Mare Nostrum, in a city that has been in turn Iberian, Greek, Roman, Goth, Catalanian, French and Spanish, is an excellent place to consider the proposition that the Western world's strategic centre of gravity is once again moving southwards to the Mediterranean. The proposition is topical: it was stated last week by the French soldier, Marechal Juin, in an article in the *Revue des Deux Mondes* that has been widely commented; it forms the basis of a probable French approach to NATO for a reorganisation of armed strength in this area; it is part of the Italian, Greek and Spanish argument for a Mediterranean pact; it is the foundation of an alternative American strategy that is being developed with Spanish collaboration parallel to (and partly counter to) the NATO alliance. And above all, it is a fit subject for reflection in a week when the new Russian Foreign Minister is paying a series of visits to eastern Mediterranean capitals.

The Mediterranean lost its age-old central position in Western affairs with the rise of the Protestant commercial powers in Northern Europe, three to four centuries ago. Since then, Europe's destinies have been decided on the plains that stretch from Paris to Poland, while this sea—its old masters, Greece, Italy and Spain, quite eclipsed, and its African and Levantine shores under imperialist "protection"—sank to the importance of a link in the chain that held North-Western Europe to its Asian and Oceanic empires. The proposition we are considering asserts that this situation no longer holds, that the deadlock in the Northern plains, the resurgence of independent Arab nationalism, and the revival of the old Catholic powers with US help all mean that the West must once again attend to her ancient heartland, the Mediterranean.

Marechal Juin does not state the case in these general terms. As a soldier, he takes a simpler, strategic view, and his argument is still couched in the language of French and British imperialism—the sort of language Sir Anthony Eden uses when he speaks of Cyprus. Juin says: "The two blocs, eastern and western, both possess atomic weapons, and so their forces are practically neutralised in Europe. But the exploitation of (Arab) nationalisms and the tactic of 'revolutionary war' permit Russia, without intervening directly, gradually to turn the southern flank of the Atlantic fort. This outflanking threatens the NATO powers much more seriously than a possible frontal attack across the German plains". His conclusion is—notice that so far this is only a magazine article but it could mature into a formal French demarche to NATO—that "it is necessary to consider whether a reorganisation of the NATO command in the Mediterranean would not adapt it better to meet the missions that great nations like France and Britain have been fulfilling in this sector". Translated into plainer language, this means that Juin, whose policy in North Africa is among the most re-actionary and most opposed to Arab independence, wants NATO to help France and Britain hold what little they have left in the Mediterranean, namely Algeria and Cyprus.

Of course France has already, with NATO's consent, transferred almost all her armed forces out of Europe, where they are supposed to form part of the bulwark against Russia, to North Africa, where they are defending legitimate and other French interests in Algeria.

Junin explains: "But if France has made this transfer in her own interests, she none the less finds herself placed at the most threatened point of Western defence. We must make our allies understand this". So when Juin argues that the Mediterranean has once again become the centre of world affairs, he may believe it but he is also trying to rally all Western military power to the support of France in Algeria—exactly as he and others were arguing five years ago that Indo-China was no mere colonial war but the very centre of the East-West struggle—an argument that ended by convincing Mr. Foster Dulles.

One hears the same assertion that the Mediterranean is back in the centre of the stage in all the Arab capitals from Rabat via Tunis and Cairo to Beirut. Here again, the argument is based on some measure of self-interest, not to say self-importance. The Arabs point to the emergence of free Islamic nations along the African and Levantine shores of this sea since 1945, and naturally proclaim that from being Europe's backyard, the Mediterranean is going to become the world's pivot. Moreover, the imminent return of Tangier from international status to a free Morocco, and the forthcoming Egyptian inheritance of the Suez Canal will mean that Islamic nations will be in a position to control both the exits from the Mediterranean; this feeling of theoretical "control" encourages the Arab capitals in ascribing renewed importance to the region. But quite apart from Arab self-importance, and apart from possible Egyptian designs in the sense of pan-Islamic imperialism, their case is endorsed by their opponents—as we see in the strategic arguments invoked by France and Britain in support of their positions in the Mediterranean. More significant perhaps, the sudden interest of Russia in this area, exemplified by the fact that it was Mr. Chepilov's first assignment as Foreign Minister, lends colour as much to Arab claims as to Marechal Juin's fears.

Turning now to the northern shores, Greece and Italy are both in agreement that the restored importance of the Mediterranean needs to be consecrated in some form of Mediterranean Pact, complementary to, if not rivalling in importance, the North Atlantic Pact to which they already belong. Greece's "Mediterranean case" has less to do with Cyprus than with Marshal Tito: the Communist reconciliation to her north has revived fears of a Slav federation in the Balkans which might weigh heavily on Greek security. For the moment, the Yugoslavs deny any such plans but Greece would be content to join a maritime alliance that would serve as counterpoise to the hinterland danger. Italy's "Mediterranean case" is founded in the resentment she feels that the North European powers have too long called the tune in the Levant, where Italian friendships and interests entitle her to a more influential voice. Both these countries are quite ready to co-operate with the resurgent Arabs in declaring the Mediterranean to be once again Mare Nostrum, i.e. "our sea". This explains Italy's feverish diplomatic activity in the Arab capitals, especially her offers to help settle the Arab-Israeli dispute—she has several times offered the Italian army to be used as a screen along the Arab-Israeli frontier to guarantee peace. It explains too why, even at the risk of offending France, Rome has invited Colonel Nasser to make Italy his first foreign tour after the presidential elections in Egypt.

In Cairo, Damascus, Beirut and Athens, Italy has suggested the formation of a Mediterranean Pact which,

SERVING OVER 60 U. S. CITIES

TO AND ACROSS THE U.S.A.

Fly the finest...

FLY TWA

TRANS WORLD AIRLINES

ASIA • AFRICA • EUROPE • U.S.A.

mainly attributed to the revival in the demand for Indian jute goods and the low level of production of raw jute in the years 1953-54 and 1954-55. The various measures taken by the Government to stimulate the exports of jute goods also contributed to raise the prices from the depressed levels of 1952-53 and 1953-54.

British Exports: Britain set up an all-time record for exports in May, according to provisional figures issued in London by the Board of Trade. The total value of exports in the first five months of this year was 6½ per cent higher than in the corresponding period of 1955. The value of exports in May was £283,800,000, import £329,100,000, and re-exports £13,500,000. The excess of imports (valued c.i.f.) over exports and re-exports (valued f.o.b.) was £31,900,000. The monthly average of January-May, at £51,100,000 was £14,500,000 less than in the corresponding period of 1955. British exports to North America in May were valued at £47,100,000—over £13,000,000 more than in April.

FINANCE

Revenue from Excise on Liquor: Receipts of State Governments from the excise on alcoholic liquor have shown a steady decline during the first Five-Year Plan. For Part 'A' States, the revenue has declined from Rs. 261,200,000 in 1951-52 to Rs. 238,900,000 in 1955-56 and for Part 'B' States from Rs. 212,900,000 to Rs. 173,500,000. The decrease for Bihar has been from Rs. 51,900,000 in 1951-52 to Rs. 48,100,000 in 1955-56. Madhya Pradesh from Rs. 25,600,000 to Rs. 19,500,000; Uttar Pradesh from Rs. 63,200,000 to Rs. 51,600,000 and West Bengal from Rs. 67,200,000 to Rs. 49,100,000. In the Punjab, the trend has been different. Revenue from excise amounted to Rs. 27,800,000 in 1951-52. In the next year there was a fall to Rs. 22,900,000. Thereafter there was a steady increase from Rs. 24,400,000 in 1953-54 to Rs. 26,800,000 in 1955-56. In Assam also, there has been a rise from Rs. 12,100,000 in 1951-52 to Rs. 17,200,000 in 1955-56. Among Part 'B' States, Hyderabad gets the biggest amount from excise. In 1955-56, the revenue to this State amounted to Rs. 70,500,000 compared with Rs. 94,600,000 in 1951-52.

Customs and Excise Revenue Collected in the Indian Union: According to the returns received in the department of commercial intelligence and statistics, the total gross sea and land customs revenue collected in the Indian Union during April 1956, amounted to Rs. 1209 lakhs as compared with Rs. 1214 lakhs in the corresponding month of the previous year. The comparison in the subsequent paragraphs should be taken to refer to that of the current figures with those of the corresponding period of the preceding year. Of the total, customs revenue collections, import duties accounted for Rs. 1043 lakhs, as against Rs. 963 lakhs, export duties for Rs. 154 lakhs as against Rs. 227 lakhs and land customs and miscellaneous for Rs. 12 lakhs as against Rs. 24 lakhs. The total gross collection of Union excise duties amounted to Rs. 1209 lakhs as compared with Rs. 1096 lakhs. The grand total of gross customs and union excise revenue realised was Rs. 24187 lakhs as compared with Rs. 23101 lakhs during the corresponding month of the preceding year.

Grants for Road Development: For the improvement of the roads in the town of Agartala, Government of India has sanctioned a sum of Rs. 3,84,300. This is part of the grants totalling Rs. 6,88,450, sanctioned for road development work in Kutch, Madras, Sikkim, Tripura and Uttar Pradesh. Statewise, the break up of road development grants sanctioned is: Kutch: A sum

of Rs. 43,100; Madras: A sum of Rs. 1,78,700; Sikkim: A sum of Rs. 29,850. Uttar Pradesh has been accorded Rs. 57,400 and Himachal Pradesh: Rs. 62,800.

Aid for Development of Handicrafts: Further grants and loans for the development of handicrafts including the manufacture of dollars and toys, blue pottery and cotton and silk sarees on traditional designs and for their marketing have been sanctioned by the Government of India. On the recommendation of the All-India Handicrafts Board, the Indian Co-operative Union Limited, New Delhi, gets a loan of Rs. 20,000. The All-India Handicrafts Board gets two grants amounting to Rs. 21,000. Orissa has been given a grant of Rs. 37,250. Bhopal gets a grant of Rs. 30,000. A loan of Rs. 25,000 and a grant of Rs. 11,750 have been sanctioned to Himachal Pradesh. A loan of Rs. 24,250 has been given to Manipur State. Uttar Pradesh gets a grant of Rs. 19,400. Bombay has been given about Rs. 13,300. A sum of Rs. 11,100 as grant has been sanctioned to Andhra. Hyderabad gets six grants amounting to over Rs. 20,000 and a loan of Rs. 7,000. Madras has been sanctioned a grant of Rs. 3,300, and Punjab about Rs. 2,000.

GENERAL

Wood Requirements of Rural Electrification Schemes: For phased programme of electric supply to 10,000 villages, involving nearly 35,000 miles of transmission line, about 850,000 poles would be required during the second Five-Year Plan. A correspondingly large quantity of cross-arms, bracings, pins, etc., would also be needed. According to expert opinion, the use of wood instead of steel for transmission poles is likely to reduce capital costs by Rs. 1.5 crores and the demand for steel by 45,000 tons.

Indo-Norwegian Fisheries Community Development Project: Satisfactory progress of the Indo-Norwegian fisheries community development project in Travancore-Cochin State during the first three years of its operation was recorded at the first meeting of its Standing Committee held at Needekara, near Quilon. The procedure for the preparation of schemes requiring approval and financial sanction, the recruitment of staff, the construction of buildings and the purchase of equipment was laid down. The Committee also decided to enlarge the programme of construction of boats for supply to fishermen trained in mechanised fishing; undertake development of harbour facilities for fishing boats at Quilon in collaboration with the Union Ministry of Transport; take up exploratory fishing with Norwegian schooners in off-shore waters; select a site for establishing a fishing centre at Cochin; expand the existing health centre in the project area; extend the ice factory by installing freezing equipment; and provide welfare facilities for the staff.

Shipbuilding in Korea: The Office of Marine Affairs of the Korean Government announced recently that the construction of 73 vessels totalling 3,167 tons will be completed by the end of August 1956. While Government funds of 500 million hwan, construction began in April 1956 on 5 passenger ships and freighters (560 tons), 56 fishing boats (1,863 tons), and 12 sailboats (744 tons). With another 905 million hwan to be released through the Reconstruction Bank, a project will be undertaken to construct or repair 4,500 tons of vessel by the end of the year. The Government has imported US \$2.71 million worth of shipbuilding materials. The size and type of vessel will be decided in accordance with the requests of end-users.

NEWS IN BRIEF

INDIAN

An Indian standard specification for coal tar solvent naphtha, heavy, has been published by the Indian Standards Institution. The standard prescribes the requirements and methods of test for the material in respect of specific gravity, colour, distillation range, hydrogen sulphide and mercaptans, phenols, pyridine basis, etc.

The Government of India have decided to introduce uniform prices for all controlled categories of steel as well as pig-iron at all railhead destinations in the country.

The Western Higher Technological Institute at Bombay is one of the three institutes to be established during the second Five-Year Plan period. Each institute, when fully developed, will provide for a total outturn of 1,200 undergraduates and 600 post-graduate trainees.

Three major D.P. Townships of West Bengal, Habra Baigachi, Taherpur and Gayeshpur will be supplied with electric power primarily for the promotion of medium and small-scale industries, under a Rs. 13.8 lakhs scheme sanctioned by the Union Rehabilitation Ministry.

The Government of India have sanctioned about Rs. 70 lakhs for an interim Ambar Charkha programme during 1956-57.

The Government of India is planning the setting up of technological research centres and organisations for directing exploration and exploitation of solar and wind power in the country. Proposals in this connection are being studied by the Government.

The Government of India has decided to license freely the export of hand-printed cotton sarees meant for domestic consumption, till the end of December, 1956.

The Indian Statistical Institute has set up an industrial management research unit for planning with headquarters at Bangalore.

A British mission is to visit India later this year under the joint auspices of the Colombo Plan and the Federation of British Industries (FBI) to advise on further extensions of heavy machinery manufacturing during the period of the second Five-Year Plan.

It is reported Finland has set apart two million Finnish marks (about Rs. 22,500) for technical assistance to India.

The President has given his assent to the Hyderabad (Abolition of Cash Grants) (Amendment) Bill, 1955.

A preliminary engineering survey for a metre-gauge railway line from Amjauga-Dudhnai to Darangiri a distance of 52 miles on the North Eastern Railway has been approved by the Railway Board.

Nine secondary schools in Tripura will have additional accommodation for displaced students from East Pakistan under a Rs. 3-lakh scheme sanctioned by the Central Rehabilitation Ministry.

FOREIGN

The Board of Trade announced in London recently that an agreement had been signed in Rangoon under which the United Kingdom would supply Burma with textiles to a value of approximately £1,000,000.

An \$11 million (£3.9 million) trade agreement signed between Israel and Yugoslavia provides for each side to supply goods worth \$5½ million. Yugoslavia will supply timber, metals and chemicals in return for Israel's exports of citrus fruit, cars, pharmaceutical products, tyres, textiles, industrial and farm products.

Output records were set by the US Steel industry both in May and for the first five months of this year, reports the American Iron and Steel Institute. Last month nearly 10.5 million net tons of ingots and castings were produced compared with some 10.3 million tons in May, 1955.

The International Bank for Reconstruction and Development in addition to watching the borrowing by member nations has raised the interest rates on its loans.

Models of complete blast furnace, steel-making and rolling mill plants planned and built by Demag are being exhibited in the "Haus der Modelle" at the German Industrial Fair, Hanover. They represent an investment of over 500 million marks. Major plants of this kind are planned and built at present by Demag for Egypt, India, Burma, Korea, Argentina, Iran, Brazil and the Philippines.

Production of crude steel in England in May was at an annual rate of 20.6 million tons compared with 21.9 million tons in April and the record 22.1 million tons in March. In May 1955 the annual rate of output was 20.9 million tons.

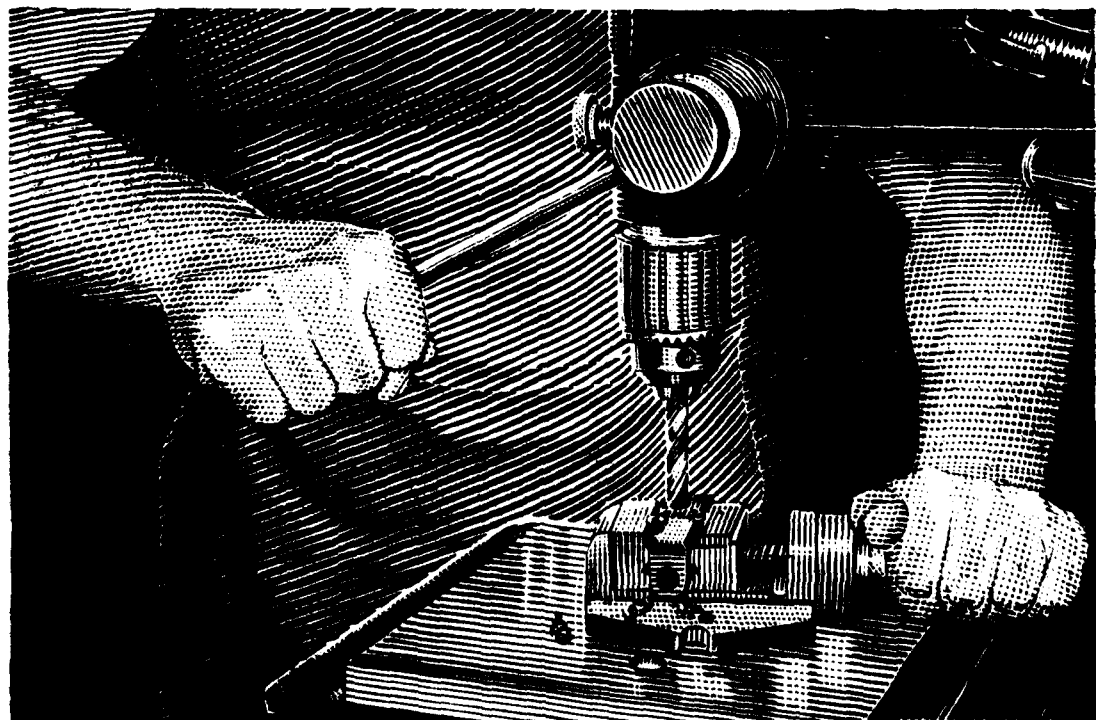
It is reported the new multilateral payments scheme with Argentina is expected to start operating on July 2.

According to the official publication "the National Economy of the USSR", the Soviet Union's population has now been officially estimated at 200.2 million, about 20 million less than the estimate made by Western countries.

The UK Government has decided to drop the proposal contained in the Finance Bill to increase the taxation liability of foreigners and Commonwealth citizens working in Britain for overseas firms.

The World Bank has approved so far in the fiscal year 23 new loans. An additional five loans now under negotiations, would probably also be approved, bringing the total of loans for the current fiscal year up to \$420 million which would exceed the previous record of \$410 million established in 1954-55.

Five major crude oil purchasers in the Illinois basin have reduced prices by ten cents per barrel—from \$3 to \$2.90. The five concerns purchase about 30 per cent of the average 226,200 barrels of oil produced each day in Illinois.



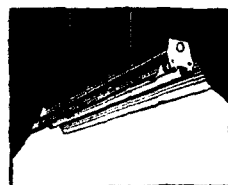
give these hands better light—at less cost!

A factory cannot afford faults—because faults mean hold-ups, unfulfilled quotas, reduced profits. That's why most modern factories have fluorescent lighting. Production experts have discovered that a good light reduces faults greatly... increases production.

Philips 'TL' Fluorescent Lamps give more than three times more light than filament lamps of the same current consumption! That's real economy! And the light is not harsh—it lights up the working bench evenly. The worker's eyes do not get tired easily if the lighting is well planned! He can do better work. Install Philips 'TL' Fluorescent Lighting and watch output go up... costs come down.

PHILIPS

'TL' FLUORESCENT LAMPS & FITTINGS
—make light work for you!



A Philips Fluorescent Lamp gives more than three times more light—lasts on an average 7,500 hours!

Can we advise you? The Philips Lighting Service Bureau will be glad to show you how you can use fluorescent lighting in your factory—free of charge and without obligation. Please write to Philips Electrical Co. (India) Private Ltd.



Branches: CALCUTTA • MADRAS • BOMBAY • DELHI • LUCKNOW • KANPUR • PATNA • BANGALORE

Back in AFRICA

*they told him
to use*

A soap

*which would
make him*

2 SHADES LIGHTER!

He replied:
"I am proud to
be as I am."

Our SWADESHI soaps (Indian Control & Indian Capital) **make**
no such absurd claim.

I.S.T.M.A INDIAN SOAP & TOILETRIES MAKERS' ASSOCIATION

(TATA—GODREJ—SWASTIK—CALCHEMICO—BERAR OIL INDUSTRIES—
PATANWALA—BENGAL CHEMICALS—BHARAT STARCH and 64 other swadeshi
soap makers.)

growing confidence

31st December, 1955

Deposits ... Rs. 90.12 Crores
Working Funds ... Rs. 112.89 Crores

One year ago

31st December, 1954

Deposits ... Rs. 75.64 Crores
Working Funds ... Rs. 91.16 Crores

Chairman

Shri S. P. Jain

THE PUNJAB NATIONAL BANK LTD.

Head Office: Delhi

SIXTYONE YEARS STRONG IN SERVICE

R. L. Tuli - Omiting. General Manager



AL-IND ALL ALUMINIUM *for low voltage distribution lines*

Savings up to a minimum of 40 percent are assured by a switch to ALIND all-aluminium conductors. For short span, low-voltage distribution lines, ALIND all-aluminium conductors provide the most economical answer.

**THE ALUMINIUM
INDUSTRIES LIMITED**

Leading Manufacturers of Aluminium
Cables and Accessories

Managing Agents: Seshasayee Bros. (Trav.) Private Ltd.

An outstanding book! PLANNING FOR AN EXPANDING ECONOMY

Accumulation, Employment and Technical
Progress in Underdeveloped Countries.

By Prof. C. N. VAKIL & P. R. BRAHMANAND

A challenging and thought-provoking book on various aspects of Second Plan. Here is a different approach advocated to evolve a system suited to the genius and requirements of underdeveloped countries. A book of enduring interest and fruitful guidance bound to influence economic thought and policy.

Demy: 432 pages.

Pop. Ed. Rs. 8/-.

Lib. Ed. Rs. 12/8

VORA & Co. PUBLISHERS, PRIVATE LTD.
3, Round Building, Bombay 2.

ROYAL & GENUINE PERFUME

Mysore Sandalwood Oil is recognised as the World's Standard of Quality. Ensure that you get only Original containers with the Mysore Government Seal and Label.

Place orders for supplies with the authorised Agents only or with the Factory.

**GOVERNMENT SANDALWOOD OIL FACTORY
MYSORE**

Economic Report from the U.S.

WORLD BANK LOANS

(BY GUY SIMS FITCH)

WASHINGTON, June 26.—Today the United Nations International Bank for Reconstruction and Development—known more popularly as the World Bank—is making its 150th loan to a member country. It is a \$75 million outlay to help India boost its production of steel. This event, significant in itself, comes one day after the bank marked the 10th anniversary of its founding. In the past decade, it has lent some \$2,800 million to 43 lands, and its membership has grown from 28 to 58 free nations in every part of the world.

These figures, impressive as they may be, cannot fully describe the impact of the bank's operations on the economies of many of its member States. Its loans have ranged from \$252,000 for a radio transmitter building in Iceland to \$80 million for hydro-electric project in the Federation of Rhodesia and Nyasaland. Other examples include loans for roads in Colombia, port improvements in Burma, a paper mill in Pakistan. All bank's undertakings have met two basic criteria: usefulness and urgency. Thus, the bank has consistently associated itself with projects that could be expected to contribute constructively to a nation's economic advancement.

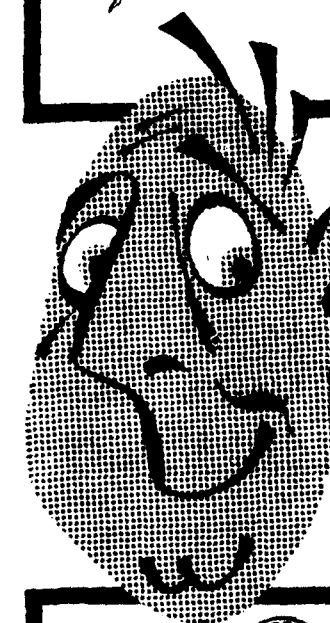
Within its broad task—to provide capital for post-war reconstruction as well as for economic development—the bank has geared its activities to the needs of the time. Earliest operations were concentrated in war-torn Europe, where in 1947 it made reconstruction loans valued at \$497 million. But largely as a result of US assistance as the Marshall Plan, the bank was able to turn its attention with increasing vigour to its long-term task: economic development of member countries. Its first loan in Latin America, made in 1948, was soon followed by loans in Asia and Africa. All told, about three-fifths of the money advanced has gone to these three regions.

In the newly developing areas, the main problem has been to strengthen the foundations on which productive economic progress can be based. This has required particular attention to such basic services as power and transportation—keys to integrated industrial and agricultural development. It is not surprising, therefore, that the bank has made more loans for electric power projects than for any other purpose—a total of about \$800 million. And it has lent nearly as much for highways, railways, ports and other means of course, into industrial and agricultural projects. Indicating the soundness of the risks undertaken, not a single borrower has yet defaulted on the low-interest, long-term loans extended by the World Bank. Of the total borrowed, about \$250 million has been repaid.

Apart from its lending activities, the bank has been interested in creating an environment favourable to investment generally. Its loans are designed to supplement, rather than replace, both private international investment and domestic investment. It also has used its influence to promote sound economic and fiscal policies, and has helped a number of member nations draw up development programmes. Emphasizing the

truly international character of this UN institution, the bank's loans are made in currencies of all member nations, who themselves have helped create its capital by their contributions. The United States, largest of the contributors, has underwritten about one-third of the bank's \$1,000 million of capital stock and has paid in some \$635 million with no strings attached. In addition, US capital markets have been open to the bank for borrowing and for sale of its bonds to private American investors. All told, the bank now can trace to private sources around the world nearly half the funds it has available for loans.

Officials at bank headquarters here in Washington look back on the past decade with understandable satisfaction. When the bank began its work in June 1946, it faced a period of uncertainty, with the magnitude of its task only dimly perceived in a world ravaged by war. As it is beginning its eleventh year, it has a commendable record of accomplishment behind it and the prospect of still greater achievements ahead.



BUY TEA
ONLY FROM
RECOGNISED DEALERS



Concrete Roads

FOR

PERMANENCE

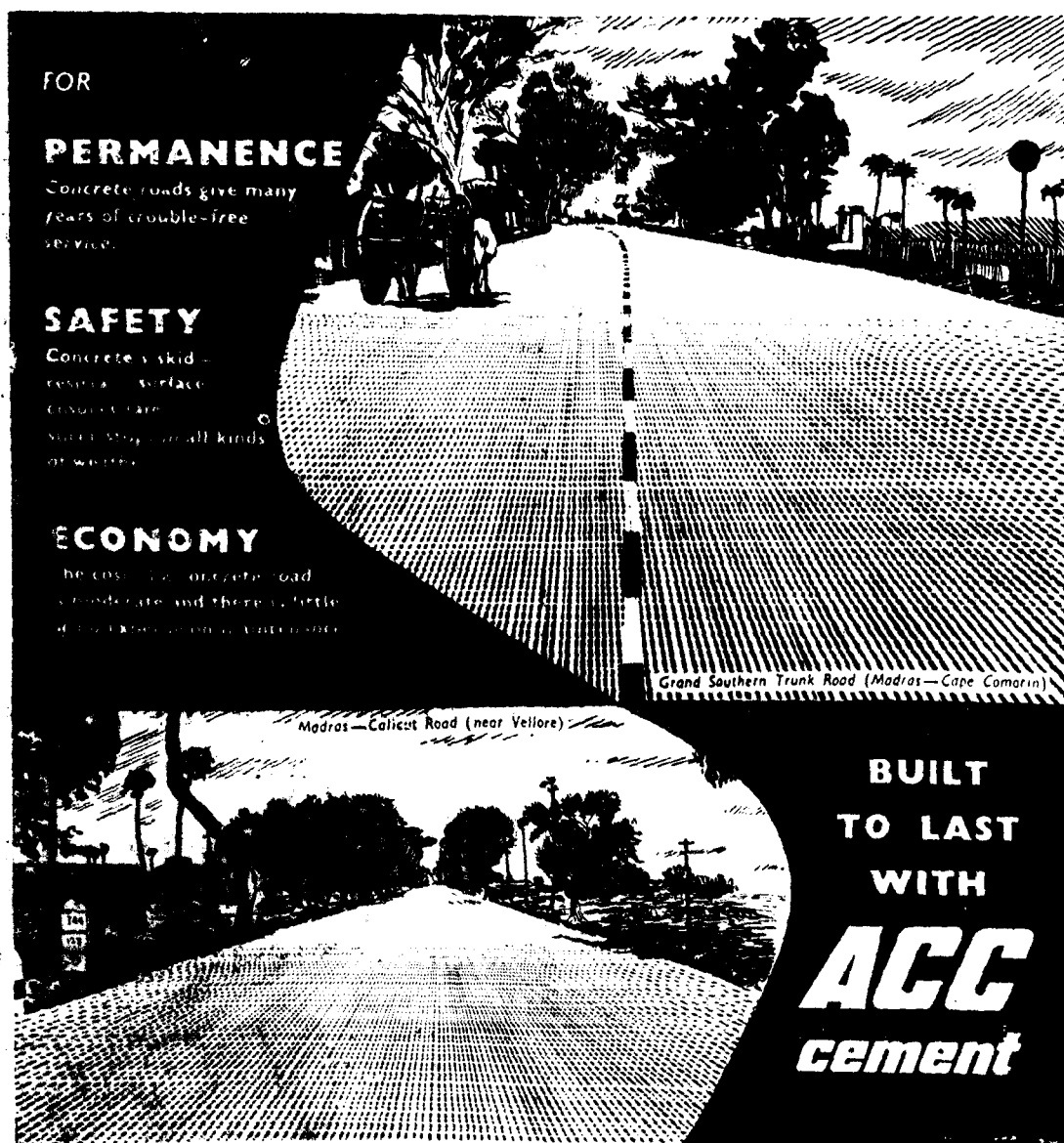
Concrete roads give many years of trouble-free service.

SAFETY

Concrete's skid-resistant surface ensures safe driving in all kinds of weather.

ECONOMY

Concrete roads are built to last, and there is little maintenance cost.



Grand Southern Trunk Road (Madras—Cane Comarin)

Madras—Calicut Road (near Vellore)

BUILT
TO LAST
WITH

ACC
cement



THE ASSOCIATED CEMENT COMPANIES LTD.

Sales Managers:
THE CEMENT MARKETING CO. OF INDIA PRIVATE LTD.

SISTA'S CMI-249

The Business World

SMALL BUSINESS IN THE U.S.

THE role of small business is an indispensable one in a competitive enterprise system of economy such as that operating in the United States today. The place assigned to it and measures of assistance taken to invigorate and stimulate it in that country should prove instructive to those who are concerned with the problems of small and medium industries and businesses in India. It is very significant that assistance takes a direct form and in no way does it penalise large-scale industries. In this approach there is a great moral for our policy-makers.

One of the most obvious examples of the importance of small business is found in the oil industry. Most of the big American oil companies, such as Standard Oil Company of New Jersey, distribute their products through the hundreds of thousands of independently owned and operated gasoline stations that serve American motorists in cities, towns and the countryside throughout the United States.

Positive proof of the importance of this type of enterprise in the US economy is to be found in the fact that the Small Business Administration, a governmental agency created by the US Congress to "aid, counsel, assist and protect small-business concerns", reported that as on June 30, 1955, as many as 4 million were out of the 4,225,000 business enterprises in the US were small businesses. Although it is not easy to define the scope of the term "small business," as used in this estimate, there are certain criteria that give it a definite meaning. The Small Business Act of 1953, which created the Small Business Administration (SBA), defined a small-business concern as "one which is independently owned and operated and which is not dominant in its field of operation."

In its function of assisting small business to get its fair share of government contracts, the SBA considers any firm that employs fewer than 500 persons a small business. In the distribution trades, the SBA uses monetary test as a measuring rod. Net sales of \$5 million a year is the ceiling for small wholesalers, while in the retail field, most firms having annual net sales of less than \$1 million are regarded as small. In this latter category are hundreds of thousands of small retail businesses, such as neighbourhood grocery stores, shoe-repair shops, restaurants, dress shops and haberdasheries whose annual net sales do not reach one-tenth of the \$1 million ceiling. Most service-trades concerns are also classified as small if their annual receipts are less than \$1 million.

There is no doubt that small-business concerns, and especially small manufacturing corporations, labour under some inherent handicaps in the US free enterprise system of economy. The limited amount of capital with which most small corporations operate is an obvious disadvantage in terms of financial stress and strain. For the same reason the small corporation generally does not have the money to set up laboratories and to hire highly skilled technicians to conduct research. Neither does it have the financial backing to conduct experiments that sometimes require years for the development of a single, complicated product. But if small business labours under inherent handicaps in a free economy, it also has certain inherent advantages. One of these is its ability to manoeuvre—to change pace. Large corporations, with their staffs of specialists and policy-makers, inevitably consume an inordinate amount of time in arriving at decisions. On

the other hand, the small concern, where very often one man makes decisions, can quickly change its policy when the need arises.

The fact that most big corporations depend upon a large volume of sales for profitable operation can also prove an advantage to small concerns. Sometimes large corporations, after having financed the research and development necessary to put a product on the market, find the sales volume of the product insufficient to ensure a profit. In such cases, the large corporation is often willing to cut its loss by turning the product over to a small firm for a consideration, or on a licence basis. The small concern, which can operate profitably with a smaller volume of business, finds this very much to its advantage.

Nevertheless, small business requires the protective intervention of government against the threat of monopoly. President Eisenhower, in his Economic Message to the US Congress in January 1956, proclaimed the awareness of this problem. "One of the clearest lessons of business history," the President commented, "is that tendencies toward monopoly are always present in some degree and that constant vigilance is needed to assure ascendancy of competitive conditions. Strict enforcement of the anti-trust laws is our primary weapon for thwarting any impairment of competition." In the US system of economy, small business has, indeed, an assured future and an indispensable place.

QUEST

a bi-monthly of arts and ideas

Sponsored by

The Indian Committee for
Cultural Freedom

Editor: NISSIM EZEKIEL

Poems, Articles, Short Stories,
Book-Reviews, Notes on
Theatre, Cinema and Dance.

Annual subscription :

Rs. 6/- (India)

\$ 3/- (U.S.A.)

Sh. 12/- (U.K.)

for specimen copy write to

QUEST, Army & Navy Building,
148, M. Gandhi Road, Bombay 1.
India

BUSINESS NOTES

RESEALING OF JUTE LOOMS

THE DECISION of the Indian Jute Mills' Association to put out of commission 2½ per cent of the total looms from 16th July next need not come as a surprise at all. For some time past the jute industry has been confronted with the crisis of accumulating stocks and a depressing outlook in the markets abroad. It will be remembered that there was a proposal to fix a minimum price for exports of jute manufactures, but this proposal had found little support, and for obvious reasons. Fixation of minimum prices for jute exports could not have failed to operate as a boomerang. India does not by any means hold either a monopoly or even a near-monopoly in jute manufactures and her share in the international jute market now stands around 58 per cent of the total. In this situation the course suggested would have heightened the crisis of stock accumulations.

The IJMA's decision, which has been taken in consultation with the Government of India, aims at bringing the production of jute goods into alignment with the global demand. Restriction of output has always been recognised only as a stop-gap arrangement to tide over temporary crises. It is now incumbent that attention should be diverted to the long-term problem of strengthening the competitive position of Indian jute goods. The main hurdle to be crossed in achieving the goal of reducing the prices of jute manufactures is a reduction in prices of raw jute. At the present time this poses a big question mark for the Indian industry because it has to depend upon high cost Pakistani raw jute to the extent of 20 per cent of its requirements. But a determined effort must now be made to improve this factor of raw jute prices. It is high time that the recommendations of the expert committee of enquiry which reported on jute industry were put into effect in real earnest. The major suggestions of this Committee are to improve the types of seeds and retting facilities as well as to adopt more scientific aids in line sowing and greater use of fertilisers. Cultivation of improved varieties of jute is also an indispensable reform. But it would appear that immediately it need not be given high priority because the new machinery which is being installed is capable of offsetting in some measure the effects of lower varieties on the quality of jute manufactures and furthermore current preference in the markets is largely for medium quality jute goods.

CURB ON SPOT TRADING

WHILE WELCOMING legislation on an all-India basis of the stock markets in India, Sir Chunilal B. Mehta, President of the Indian Stock Exchange, Ltd., drew the pointed attention of Government to the amended definition of Spot Delivery Contracts. It may be recalled that the Securities Contracts (Regulation) Bill, 1954, introduced in Lok Sabha on December 24, 1954, was referred to a Joint Committee of the two Houses on November 28, 1955. It is the latter that has amended the definition of Spot Delivery Contracts contained in the original Bill. The change, in the main, is in respect of a reduction in the period allowed for the completion of the said contract from three days to two days, including the date of contract, but exclusive of the time required for postal transit. In effect, in the amended form, it means that both the delivery and the payment in respect of the contract should be completed within 24 hours after it is made.

Taking very strong exception to this amendment, Sir Chunilal pointed out, in the course of his presi-

dential address at the Eighteenth Annual General Meeting of the Indian Stock Exchange, Ltd., Bombay, on Friday, June 15, that "even big institutions which will be recognised by Government for carrying on Forward Delivery business will not, in actual practice, find this a feasible proposition". In this connection, he traced the history of this issue and recalled how the question had been considered by the Morrison Committee and the Bombay Government and how the former had recommended the adoption of a period of seven days on practical considerations, while the Bombay Securities Contracts Control Act, 1925 has defined a "ready delivery contract" "as one which should be performed immediately or within a reasonable time".

In the event of there being a reduction in the period allowed for Spot Delivery Contracts, there would certainly be a considerable shrinkage in ready delivery business on all stock exchanges in India. In other words, this means that the bulk of the stock exchange business would be severely hit by the proposed amendment. It is common knowledge that ready business exceeds by a very wide margin that in futures. In Bombay, for instance, where there is a full-fledged and active forward market, only about 50 scrips are on the forward list; the rest, which are in hundreds have to be traded on ready basis only. In the circumstances, one would have thought that facilities would be afforded for the improvement of ready business, but the amendment in question, by seeking to restrict the time limit for spot delivery contracts, would not only inflict grave injustice on the large number of the investing public but seriously affect the general morale of all stock market business. To quote Sir Chunilal, "the investing public will be discouraged in investment business on account of such hardships involved, and this will be an undesirable development". Moreover, the change proposed would defeat the very underlying object of the Bill. "The basic object of the stock exchange reform," observed the Union Finance Minister when moving the Bill for reference to the Joint Committee, "is to regulate speculative activities, so that they may not degenerate into gambling; it is not the object of such reform to interfere with investment buying or selling or even with legitimate speculation as long as it conforms to the rules of the game". However, inasmuch as nearly all ready business is genuine investment business, the new definition, if allowed to stand as it is, will have the unfortunate effect of adversely affecting only investment deals.

ALLOCATION OF AUTOMATIC LOOMS

THE GOVERNMENT of India's cloth policy announcement envisaged the installation of 14,600 automatic looms but did not throw full light on how these looms would be allotted to different applicant mills. Only the broad considerations that Government had in view were indicated and even that vaguely. The position has, however, been both amplified and clarified since.

Mr. Nityanand Kanungo, the Union Minister for Consumer Industries, in his discussions with cotton mill interests in Bombay and Ahmedabad last week, explained the Government's stand on the allocation of these looms thus. The idea for the present, according to him, is that mills should be allowed to instal 14,600 automatic looms so as to raise the output of cloth by 350 million yds. which would be exclusively for export. Thus, mills intending to instal automatic looms would have to produce an additional quantity of 24,000 yds. of cloth per loom per year. Any mill which fails to export the full quantity would have to bear a penal excise duty of two annas per yard. Mills which have

not been utilising the existing automatic looms for producing cloth for export and want more automatic looms would also be required to produce the minimum of 24,000 yds. and this in addition to a certain percentage of the cloth produced by their existing automatic looms. Again, mills which have already been exporting cloth produced on automatic looms but desire more looms would have to produce not only the stipulated export quota but also maintain their present exports.

Textile circles seem to feel that the stipulated target of 24,000 yds. is rather on the high side. There are many units, especially in Ahmedabad, which would find the conditions of minimum production for export, or the alternative penal tax, particularly burdensome. There is also resentment among consumers that, in the name of export promotion, government are apparently oblivious of the need to provide relief to the indigent consumer by passing on to him the benefit of lower production cost consequent on the proposed increased output. The more appropriate policy, according to some, would, therefore, appear to be to allow these mills, with the help of automatic looms, to contribute to the export pool and, in the process, also hope their own development. In such an event, it is suggested, the export quota would have to be more broad-based and be the average of at least the last five years, instead of that of only two years, as suggested at present.

If the production and export targets are to be met, the adequacy of yarn supply must be ensured. No doubt, an addition of 2.1 million spindles is contemplated to provide yarn for 1,400 million yds. of cloth, but the Union Minister for Commerce and Industry has himself confessed to a slow pace in the installation of spindleage against issued licences. The new yarn will take at least 6 to 9 months to come in the market. Again, it is asked, will the much-advertised Ambar Charkhas be able to perform the miracle of producing yarn for the 300 million yds. of cloth allotted to them? Available evidence so far at any rate does not warrant such an optimistic conclusion.

Further, between the rival claimants for yarn, automatic looms, powerlooms and handlooms, the last two will naturally receive Government patronage, that is, preference in the matter of allocation of supplies. Notwithstanding this, one visualises, there would be a hue and cry from these quarters for supply of yarn, coupled, of course, with the customary plea for imports of yarn. It is even possible that, so as to cover any shortfalls in the output of these marvel mechanisms, Government might be induced to allow yarn import. There is nothing wrong in allowing import of yarn if the country's textile requirements warrant them, but has this been assumed in framing our foreign exchange budget for the second Five-Year Plan?

PORT DEVELOPMENT

DESPITE THE congestion in our ports for years past, it is to be regretted that a good part of the allotment for the development of ports during the first Plan period has remained unspent, indicating a delay in the implementation of the schemes. The second Plan provides for Rs. 76 crores, inclusive of the spillover from the first Plan. The Government of India is to grant a loan of Rs. 40 crores and the port authorities will have to raise the remainder by upgrading their port charges, drawing from reserves and floating loans in the open market. But it is problematic whether the port trusts will be able to raise all this money to meet the shortfall of Rs. 36 crores on their own. Of the major ports, Calcutta has estimated only a small surplus for 1955-56 against almost chronic deficits in the previous years.

The other ports, however, are relatively in a better financial position.

At the time of partition, India had five major ports with a total capacity of 20 million tons per annum. During the first Plan, the construction of a sixth major port at Kandla was taken up, and the total capacity has thus been raised to 26 million tons. It is proposed to raise the capacity further to 38 million tons during the second Plan period. In addition, development programmes for a number of minor ports in the maritime States are to be carried out.

With the reorganisation of the States, and the consequent formation of the new maritime State of Karnataka, the development of Mangalore or Malpe on the West Coast, as well as Paradeep on the East Coast, into major ports will no doubt have to be considered. Having regard to the pressing need of rehabilitation and modernisation of the ports on a large scale, it is to be hoped that the programmes are executed more vigorously than in the first Plan period. At Bombay, modernisation of the Prince's and Victoria Docks is still to be taken in hand, though considerable progress has been made on the new oil terminal at Butcher Island. One would also like to emphasise the need to take immediate steps to improve the loading, unloading and repair facilities for country craft at the major ports, particularly at Calcutta.

Emphasis should be laid on the need for greater utilisation of the minor ports for the shipment of such cargoes as coal, rice, sugar and fertilisers in order to provide more employment opportunities to the labour population residing at or near those ports. About a fourth of India's trade now passes through the country's minor ports. To keep pace with national planning and economic development, these ports also have to be well-equipped and modernised. A comprehensive expert survey made not long ago revealed that some ports, including Cuddalore, Mangalore, Kozhikode, Okha, Tuticorin, Bhavnagar and others, which handle the bulk of the minor ports' traffic, might be listed as intermediate ports and special attention paid to their development. Technical investigations have established the feasibility of developing Tuticorin as a deep-sea port. Minor ports are mainly the responsibility of the State Governments. A provision of one crore of rupees was included in the first Five-Year Plan for development of minor ports. It is now estimated that five crores of rupees will be necessary for development work during the second Plan period.

FUTURES TRADE RESUMED IN COTTON AND GROUNDNUTS

AFTER A lapse of a little over a decade—about 13 years in fact—futures trading in groundnut was resumed on the Bombay Oilseeds Exchange on Monday June 18. It was on the same day that the resumption of futures trading in cotton also became a 'fait accompli'. Both are events of equal significance to Bombay's trading interests, and, in a way, this was brought out clearly by both the functions being blessed by the Chief Minister, Shri Morarji Desai on the same day.

While inaugurating the resumption of futures trading in cotton, Shri Morarji condemned undue speculation and said characteristically: "Life itself is speculation, but speculation must not become life". Advocating that discussions across the table always produced results, Shri Desai rightly warned that "pride on the part of either body (East Indian Cotton Association or Forward Markets Commission) will not solve the problems." In this connection, he referred to the smooth way in which everything used to be done when

futures trading in cotton in Bombay was under the jurisdiction of the Government of Bombay and hoped that this tradition would be strengthened both by the Forward Markets Commission and the East India Cotton Association.

In the case of futures trading in groundnut, the question had been under discussion between the Bombay Oilseeds Exchange and the Forward Markets Commission for quite some time now. Following these discussions, it has now been decided to re-start futures trading in groundnuts, which had been stopped in 1944, on more or less the same lines as before. However, some minor amendments have been effected to the by-laws of the Association so as to suit the prevailing statistical position of the commodity in question and also to indicate the advent on the scene of the Forward Markets Commission.

The salient features of the Groundnut Contract are that the basic variety would be Bombay Bold, with three delivery contracts in a year, the months of delivery being February, May, and August. The unit of trading will be a candy. The margin system will cover all oilseeds for which trading is permitted. Trading will be free of margin in each oilseed—as also for all oilseeds taken together—up to 7,500 candies, whereafter the graded rates would begin to apply. While permission has now been given only to groundnut, the FMC is expected to extend similar permission to trading in other oilseeds also in due course.

SUGAR OUTLOOK

THE 1955-56 season's production of 17.84 lakh tons of sugar is an all-time record and is higher than the previous season's 15.94 lakh tons. It is, however, slightly lower than the first Five-Year Plan's revised target of 18 lakh tons. In spite of the higher production and the Government's decision to sell nearly 110,000 bags of British refined sugar, prices have shown a firm trend in recent weeks. This is attributed to the faulty distribution system, poor arrivals, probably due to wagon shortage, and a sudden spurt in demand. Besides, the alleged accumulation of supplies in a few hands has also had its effect on the market. It is reported that those who have secured supplies are trying to form a syndicate to handle their sales.

It is known that the Government of India's present policy is to discourage imports, and to achieve self-sufficiency. During the 1955-56 season, imports were stopped, and the Development Council has now fixed a target production of 22.5 lakh tons by 1960-61 for an estimated population of 400 millions. As the area of 40 lakh acres under sugarcane cannot be further increased, the success of the Plan will depend, to a large extent, on increasing the yield of cane per acre by intensive cultivation. The average yield in India is still very low at only 14 tons per acre as compared to 62 tons in Hawaii, 56 tons in Java and 41 tons in Peru. It is a happy sign, therefore, that the Development Council has earmarked four annas per cwt. of sugar produced from the excise duty collections for cane development and research. On the basis of an estimated production of 22.5 lakh tons in 1960-61, the annual expenditure for cane development may reach the figure of Rs. 112 lakhs, and will work out at Rs. 5-8 per acre as against only six annas during the first Plan period. Compared to expenditure in some other producing countries, however, even this would be very much on the low side. Again, the percentage sugar recovery of our cane is the lowest at 9.80 as compared with Cuba's 12.25 and Australia's 14.33.

It is only natural that more cane production should be followed by more sugar factories. It is on the cards

already that a large number of new factories will be established during the second Plan period, including a few co-operatives. At the same time, permission has also been given for the expansion of several existing units.

Though India is the largest sugar producer of the world, producing and consuming about one-ninth of the world sugar production, the per capita consumption of gur and sugar in this country is the lowest estimated at 29 lbs. as against 114.9 lbs. in Australia, 113.5 lbs. in Denmark and 110.2 lbs. in New Zealand. Even under the second Five-Year Plan, nothing spectacular is anticipated, and the development has been planned for nothing more than the maintenance of the present per capita consumption. There is, therefore, scope for considerable improvement.

There is now no statutory control as such on the distribution or price of sugar, although factories are asked to keep 25 per cent. of their production for requisition by the Government, if necessary. But the increases in excise duty and railway freight rates from last year have affected the cost of production, thereby raising the market price.

SOVIET PURCHASE OF INDIAN WOOL

RAW WOOL figures as one of the articles of Indian exports to the USSR in the trade agreement concluded on December 2, 1955, between India and that country. Recent reports indicate that a party which visited this country from the Soviet Union last May on a trade mission went through enquiries regarding raw wool among other commodities. These enquiries have finally resulted in Soviet purchase of the first lot of India's wool. The total quantity in the deal is said to be of the order of about two million lbs., prices being fixed in the neighbourhood of 75d. per lb. on f.o.b. basis. The varieties selected are largely Bikaner and Joria best qualities. The total value which is estimated to be in the neighbourhood of Rs. 40 lakhs marks a good beginning and from the Indian angle exports to the USSR comprising a wide range of goods would help the main objective of balancing the two-way trade. Although similar confirmation about final placing of orders by the USSR for Indian woollen textiles is lacking, it is a welcome development that the Soviet Union is ready to take part of our surplus.

RECORDS & STATISTICS (QUARTERLY BULLETIN)

Editor: R. V. MURTHY, M.A.

"The Eastern Economist" Bulletin of Records and Statistics surveys economic trends in each quarter in India and abroad with the aid of graphs and all available statistics. One of its special features is the Investment Supplement.

Annual subscription	Rs. 12
For subscribers to "The Eastern Economist"	10
Single copy	3

Railway bookstalls of Messrs. A.H. Wheeler & Company

For details write to:
THE EASTERN ECONOMIST
 NEW DELHI: 52, Queensway.
 BOMBAY: Kermani Bldg., Sir P.M. Road, Fort.
 LONDON: 3, Salisbury Court, Fleet Street.
 NEW YORK: 25, Broadway.

CALCUTTA: 28 & 29, Royal Exchange Place Extn.

COMPANY AFFAIRS

HEILGERS GROUP OF COAL COS.

The audited accounts of the Ondal, the Borrea and the Standard Coal Companies (Managing Agents: F.W. Heilgers & Co. (Private) Ltd.), for the half-year ended December, 1955, are now available. Henceforth, the accounts of the companies will be closed and accounted annually in accordance with the provisions of the Companies Act, 1956. The companies may, however, declare interim dividends when their affairs warrant such action. The working results of each, covering the half-year under reference, are given below:

The Ondal Coal Co., Ltd.

The profit and loss account, after providing Rs. 27,082 for taxation, and including Rs. 1,05,531 brought forward from the previous account, shows an available balance of Rs. 1,00,646. Out of this amount, the Directors have recommended payment of a 6½ per cent per annum dividend on preference shares, free of tax, which absorbs Rs. 6,500. Another Rs. 37,500 are recommended to be paid out as dividend on ordinary shares at 10 per cent per annum, also free of tax. The balance of Rs. 56,646 is to be carried forward.

During the half-year, the Karanpura Mining Syndicate raised 75,768 tons of coal and despatched 75,993 tons. The Directors feel that the raisings could have been larger but for the fact that transport was in short supply.

The Borrea Coal Co., Ltd.

The accounts show that Rs. 45,717 have been provided for depreciation and Rs. 1,36,666 for taxation. An amount of Rs. 3,000 has been transferred to the tax contingency reserve, Rs. 1000 to development rebate reserve and Rs. 75,000 to coal washing plant reserve. After all these charges there is an available balance of Rs. 1,72,207 which includes Rs. 25,000 brought from taxation reserve and Rs. 98,656 brought forward from the previous account. The amount has been recommended to be disposed of as follows:

In paying a dividend on preference shares at 6½ per cent per annum, free of tax, absorbing Rs. 13,000; in paying a dividend on ordinary shares at 20 per cent per annum, free of tax, which takes away Rs. 75,060, and in carrying forward the balance of Rs. 84,207.

Both raisings and despatches during the half-year under review have recorded increases over the preceding half-year's figures. Some 77,981 tons of coal, as against 75,187 tons during the previous period, were raised. Despatches totalled 85,503 tons compared to 69,844 tons of the preceding half-year period.

The Standard Coal Co., Ltd.

After providing Rs. 1000 for depreciation, and Rs. 16,034 for taxation; and after transferring Rs. 18,000 from provision for payments under labour disputes, and including Rs. 7,937 brought forward, the audited accounts show an available balance of Rs. 57,347. The Directors have recommended payment of a 10 per cent per annum dividend, free of tax, which absorbs Rs. 40,000. That leaves a balance of Rs. 17,347 which is proposed to be carried to the next account.

Under the Tribunal Award, relief payments to workers were to be paid. At the end of May, 1956, a total sum of Rs. 86,528 had been disbursed.

SHAW WALLACE GROUP OF COAL COS.

The Pench Valley Coal Co., Ltd.

The Directors' report and the accounts of the Company for the half-year ended September, 1955, show that after providing Rs. 2,05,185 for taxation and including Rs. 38,203 brought forward, the Company's profit was Rs. 2,51,468. The Directors have placed to

development reserve Rs. 1,00,000. A dividend at 10 per cent per annum, free of tax, absorbs Rs. 1,18,125 which leaves a balance of Rs. 33,343 proposed to be carried forward.

Output and despatches of steam and other grades of coal which had declined during the half-year ended March, 1955, as compared to the period ended September, 1954, have again gone up. Raisings stand at 2,22,222 tons as compared to 2,07,654 tons and 2,15,388 tons respectively of the previous two half-years. Despatches total 2,25,767 tons as compared to 2,07,432 tons and 2,11,473 tons.

Capital expenditure incurred during the half-year on development, machinery and buildings amounted to Rs. 1,35,454, compared to Rs. 78,338 for the previous half-year. Extensive development has been taken in hand to replace some of the old collieries nearing exhaustion.

The Amalgamated Coalfields, Ltd.

The accounts of the Company, also for the half-year ended September, 1955, show the Company's profit at Rs. 4,68,203 after providing Rs. 2,83,002 for taxation. The profit figure includes a credit of Rs. 29,786 relating to previous periods and Rs. 38,206 brought forward. Out of this amount, the Directors have appropriated Rs. 2.50 lakhs to machinery replacement and development reserve. The dividend at 15 per cent per annum, free of tax, absorbs Rs. 1,91,250 leaving Rs. 26,953 to be carried forward.

Raisings during the half-year under review are 4,15,791 tons which compare favourably with 3,98,230 tons and 4,01,400 tons for the two periods ending March, 1955, and September, 1954 respectively. Despatches also have gone up to 4,36,024 tons as compared to 3,90,920 tons and 3,77,585 tons for the previous two half-year periods.

Like its sister concern, the Company has taken in hand the job of replacing some of the old collieries nearing exhaustion. Capital expenditure during the half year on development, machinery and buildings amounted to Rs. 3,00,396 as against Rs. 1,73,837 for the previous half-year.

THE BURRAKUR COAL CO., LTD.

After providing Rs. 4,30,391 for depreciation, Rs. 5,53,475 for taxation, transferring Rs. 6,900 to development rebate reserve, Rs. 55,500 to tax contingency reserve, Rs. 50,000 to debenture redemption reserve, Rs. 1.50 lakhs to ropeway rope replacement reserve, Rs. 25,000 to general reserve, and including the sum of Rs. 1,40,510 brought forward, the accounts show an available balance of Rs. 4,89,965. The Directors have recommended the following dividends: A 7 per cent per annum dividend, free of tax, on 1st preference shares absorbing Rs. 80,493; a 6 per cent per annum dividend, subject to taxation, on 2nd preference shares, taking Rs. 9,956; and a 6½ per cent per annum dividend, free of tax, on ordinary shares, absorbing Rs. 2,84,140. The balance of Rs. 1,15,375 is to be carried forward.

Raisings and despatches during the period under report were 5,16,165 tons and 5,26,106 tons respectively. The figures for the previous period were 5,13,556 tons and 5,06,261 tons.

The Directors feel that the performance of railways has shown improvement, though it cannot yet be said that transport plans are geared to the vast requirements of the second Five-Year Plan. According to them, the industry failed to benefit by the spare capacity period normally occurring between July and October.

COMMODITY NEWS AND NOTES

WORLD GRAIN PRODUCTION

According to the Food and Agriculture Organisation's latest year book of food and agricultural statistics, production of wheat in 1954 was 151.5 million metric tons harvested from the total area of 135 million hectares. Rice yield was greater—162.2 million tons of paddy—though the area brought under the crop was less—97.4 million hectares. Maize came third in production, with 137.3 million tons. Production of 59.2 million tons of millet and sargham 55.8 million tons of barley, 49.4 million tons of oat and 20.3 million tons of rye brought total grain production for 1954 to 635.7 million tons.

The greatest continental grain producer was Asia, with a total 1954 production of 277.1 million tons of all grains, compared with an annual average of 256.1 million tons for the years 1948-52. Most Asian grain production was of rice, which contributed 148.4 million tons. North and Central America in 1954 produced 167.4 million tons of all grains. European grain production was 117.9 million tons. World production (excluding the USSR) of some other major crops in 1954, according to year Book were: potatoes 166.9 million tons; raw sugar 34.8 million tons, sweet potatoes and yams 69.5 million tons; pulses 24.4 million tons, oil seeds 54.6 million tons and cotton 7.2 million tons.

INCREASE IN AREA UNDER WHEAT

The all-India final estimate of wheat, 1955-56 puts the current years area and production at 29,225,000 acres and 8,348,000 tons respectively, as against the partially revised estimate of 27,517,000 acres and 8,778,000 tons for 1954-55. The current year's estimate thus shows an increase of 1,708,000 acres or 6.2 per cent in area and a decrease of 430,000 tons or 4.9 per cent in production as compared with the partially revised estimate for 1954-55, which was a peak year so far as wheat production is concerned. As compared with the average of five preceding years estimate, however, the area and production during the current year show an increase of 4,088,000 acres or 16.3 per cent and 1,050,000 tons or 14.4 per cent respectively. The current years production of wheat equals the target of 8.3 million tons fixed for 1955-56 under the first Five-Year Plan. The increase in area during the current year has been shared by all the wheat growing states except Bihar, and is generally attributed to favourable weather conditions at the time of sowing. The increase in area is partially marked in the case of U.P., Bombay, Rajasthan, Hyderabad, Madhya Pradesh, and PEPSU.

FORWARD TRADING IN GROUNDNUTS RESUMED

Forward trading in groundnuts was resumed on the Bombay Oilseeds Exchange recently after a break of over 12 years. The contract provides for delivery at 38 centres in the groundnut growing areas of the country. Trading began for February 1957 contract, which commenced at Rs. 131.4 per hundred candies. According to amended bye-laws, approved by the Forward Market Commission, the margin system will be operative over all the oilseeds for which trading is permitted. Trading up to 7,500 candies in each oilseed as well as for all oilseeds taken together, will be free of margin and graded rates will apply thereafter. The trading in different oilseeds will be permitted to be offset against each other.

RAW WOOL EXPORT

The Government of India have announced partial modification in the existing rules regulating the export of raw wool during the period April-September 1956. A notification in this connection by the Joint Chief Controller of Exports, Bombay, says, that it has now

been decided that shippers, who had exported raw wool not in their own names but on their own risk and account from the territories now constituting Pakistan during any one of the calendar years 1945, 1946 and 1947 and or from India during any one of the calendar years, 1948, 1949 and 1950, will be treated as newcomers and granted allotments of 25 bales (8,000 lb.) each valid for shipment up to the end of September 1956, only. The notification adds that intending new-comers should submit their applicants duly accompanied by relevant documents.

BURLAP CONSUMPTION IN USA

US burlap consumption in May 1956 improved to 73,000,000 yards from 69,000,000 yards in the previous month. Total consumption during the current year up to the end of May was higher at 353,000,000 yards against 343,000,000 yards in the corresponding period of last year. Another encouraging feature was that US burlap stocks, after showing a continuous rise for several months declined to 247,000,000 yards at the end of May from 253,000,000 yards at the end of the previous month. While spot stocks appreciated further to 151,000,000 yards from 144,000,000 at the end of April 1956, afloat stocks fell sharply to 96,000,000 yards from 111,000,000 yards. With rising consumption and poor afloat stocks, it is hoped US buyers will soon enter the Calcutta market to make their seasonal purchases.

RESUMPTION OF COTTON FUTURES

After a break of about six months cotton future, has been resumed again putting thereby an end to the trouble in cotton. In getting the permission of the Government for the purpose, the East India Cotton Association has had to adopt all the amendments to its bye-laws proposed by the Forward Markets Commission. Perhaps the only point on which the Commission has yielded is on the question of the continuance of the present system of surveying of cotton. Among the striking features of the new pattern of trading in cotton futures are (i) there will be two hedge contracts one with Jarilla 25/32" fine as its basis and the other with Vijay 27/32" fine as its basis instead of a single hedge contract with Jarilla 13/16" fine as its basis. The purpose of this amendment is to provide a better hedge and offer protection to a larger quantity of cotton (ii) the delivery month for the contract have been advanced so as to ensure larger supplies of tenderable cotton during the delivery period (iii) the margin system has been tightened up and a provision for special clearing has been introduced (iv) provisions regarding the reporting of informations by members have been made more comprehensive (v) the Association is also said to have accepted the Commissions view relating to the fixation of tendering differentials on the basis of forward rather than spot prices.

NEW INTERNATIONAL TEA AGREEMENT

The proposed new agreement raises the exportable tea quotas of tea-growing countries from the present 1,091 million to 1,183 million lbs. annually. India's share of this export trade is expected to be 560 million lbs. as against the present 470 million lbs., Ceylon's 400 million lbs. against 339 million lbs. and Pakistan's 47.5 million lbs. The new agreement seeks to lift restrictions placed on the extension of acreage under tea in the various countries because, it is said, no country under the agreement was able to utilise the full acreage sanctioned for extension so far under its terms. The first auctions for the current tea year commenced on the 14th of this month.

Prospectus

A copy of the prospectus has been delivered to the Registrar of Companies, West Bengal, for registration together with the necessary documents which are required by Sec. 60 of the Companies Act, 1956.

Consent of the Central Government has been obtained to this issue by an order of which a complete copy is open to public inspection at the Registered Office (Head Office) of the Company. 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 in regard to them.

A licence has been obtained from the Central Government for the establishment of this new industrial undertaking of which a copy is open to public inspection at the Registered Office (Head Office) of the Company. It must be distinctly understood that in granting this licence the Government of India do not take any responsibility for the financial soundness of this undertaking or for the correctness of any of the statements made or opinions expressed in regard to it.

The subscription list opens on Monday, the 18th of June, 1956. All applications for shares must reach the Registered Office of the Company by 21st of July, 1956. The Directors may extend the date for receipt of applications, as they may in their discretion think fit.

KESORAM COTTON MILLS LIMITED

Authorised Capital:-

20,000—7% (Income-tax free) Cumulative Preference Shares of Rs. 100/- each	Rs. 20,00,000 0 0
1,40,000—5½% (Income-tax free) Cumulative Redeemable Second Preference Shares of Rs. 100/- each	Rs. 1,40,00,000 0 0
24,00,000 Ordinary Shares of Rs. 10/- each	Rs. 2,40,00,000 0 0
TOTAL	Rs. 4,00,00,000 0 0

Issued, Subscribed and Paid-up Capital:-

20,000—7% (Income-tax free) Cumulative Preference Shares of Rs. 100/- each	Rs. 20,00,000 0 0
16,00,000 Ordinary Shares of Rs. 10/- each	Rs. 1,60,00,000 0 0
TOTAL	Rs. 1,80,00,000 0 0

Present Issue:-

1,00,000—5½% (Income tax free) Cumulative Redeemable Second Preference Shares of Rs. 100/- each. Rs. 1,00,00,000 0 0

Out of the present issue of one lakh shares of Rs. 100 each, 50,000 shares have already been subscribed by the equity (ordinary) shareholders, their nominees and other persons. The remaining 50,000 shares are now being offered to the public for subscription at par. These shares carry 5½ per cent (income-tax free) Cumulative Preferential Dividend and shall be redeemed at par on 31st March, 1967, out of the profits of the Company and/or out of the proceeds of a fresh issue of capital made for the purpose of redemption. These shares shall rank for dividend and return of capital next after the existing Preference Shares but in priority to the Ordinary Shares.

The subscription for the present issue shall be payable as follows:-

Rs. 25/- per share on allotment.
Rs. 25/- per share after 31st March, 1957 on one month's notice from the Company.

Applications must be for a minimum of five shares or a multiple of five. Applications for shares may be presented at the Company's Registered Office or at the Head or branch offices of the Company's Bankers where application forms for shares and copies of the Prospectus will be available.

The Directors shall have the discretion to refuse to allot any shares or to allot less than the number applied to any person or persons without assigning any reason for the same.

The Preference Shares offered for subscription are approved investments within the meaning of Section 27A of the Insurance Act, 1933.

DIRECTORS:

Shri B. K. Birla. Merchant. 8, Royal Exchange Place, Calcutta.
Raja B. N. Roy Chowdhury of Santosh. Barrister-at-Law. 8, Royal Exchange Place, Calcutta.
Shri Ram Kumar Bhuwalka. Merchant. 8, Royal Exchange Place, Calcutta.
Shri P. D. Himatsingka. Solicitor. 6, Old Post Office Street, Calcutta.
Shri Hiralal Somani. Merchant. 2, Wellesley Place, Calcutta.
Shri Mahaliram Sonthalia. Merchant. 23/24, Radha Bazar Street, Calcutta.

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

BANKERS:
THE STATE BANK OF INDIA,
123, Strand Road, Calcutta.
THE UNITED COMMERCIAL BANK LIMITED,
2, Royal Exchange Place, Calcutta.
THE HIND BANK LIMITED,
4, Brabourne Road, Calcutta.

SOLICITORS:

P. D. HIMATSINGKA & CO.,
6, Old Post Office Street,
Calcutta.

AUDITORS:

PRICE WATERHOUSE PEAT & CO.,
Chartered Accountants,
B4, Clive Buildings, Calcutta-1.

REGISTERED OFFICE:

8, Royal Exchange Place, Calcutta.

QUALIFICATIONS AND REMUNERATION OF DIRECTORS:

Under the Articles of Association of the Company as amended by the Shareholders at the Extraordinary General Meeting held on the 6th June, 1956, each Director is to hold 200 Ordinary Shares on which all calls shall have been paid and each Director will receive by way of remuneration a sum of Rs. 200/- for each meeting of the Board attended by him, provided, however, until the sanction of the Central Government is received the aggregate of such payment to each Director in any financial year will not exceed Rs. 1,200/-.

PARTICULARS ABOUT THE MANAGING AGENTS :

The Managing Agents is a Private Limited Company with a subscribed and paid-up capital of Rs. 50,00,120/-.

Under Article 101 of the Articles of Association, the Managing Agents were entitled to a commission on the basis of gross sale proceeds of manufactured products of the Company and purchases of cotton and certain guaranteeing commission. The said basis became inapplicable from 1-4-1956 under the provisions of the Companies Act, 1956.

The term of office of the present Managing Agents will expire on the 15th January, 1957. An application is intended to be made to the Central Government for a fresh agreement renewing the appointment of the Managing Agents for another term of ten years and to fix their remuneration @10 per cent of the net profits on the basis of the provisions of the Companies Act, 1956.

RIGHTS ATTACHED TO DIFFERENT CLASSES OF SHARES :

According to the provisions of Section 87 of the Companies Act, 1956, every member of the Company holding any equity (ordinary) share capital has a right to vote, in respect of such capital, on every resolution placed before the Company and his voting right on a poll shall be in proportion to his share of the paid-up equity (ordinary) capital of the Company.

Every member of the Company holding any Preference Share capital has, in respect of such capital, a right to vote only on resolutions placed before the Company which directly affect the rights attached to his Preference Shares.

The Preference Share capital carry preferential right to the fixed amount of dividend but does not carry any right to any further participation in profits.

In case of winding-up of the Company, the rights of the shareholders as regards dividend and return of capital shall, subject to the provisions of the Companies Act, 1956, be governed by Article 127 of the Articles of Association of the Company which provides as follows:

"If the Company shall be wound-up the assets available for distribution among the members of the Company shall be applied in the first instance in payment of the cumulative dividend or dividends on the Preference Shares which may be unpaid or in arrear at the commencement of the winding-up and thereafter the balance, if any, of the assets available for distribution as aforesaid shall be distributed in manner following, as to one-quarter thereof among the holders of Preference Shares in proportion to the capital paid-up thereon at the commencement of the winding-up and as to three-quarters thereof among the holders of Ordinary Shares in proportion to the Capital paid up thereon at the commencement of the winding-up."

RESTRICTIONS ON MEMBERS' RIGHTS :

So long as any money is due from a member of the Company in respect of any shares held by him, he shall not be entitled to vote at any meeting of the Company in respect of such shares.

The Directors may, without assigning any reason, decline to register any transfer of shares not fully paid-up or upon which the Company has a lien.

OBJECTS & BUSINESS OF THE COMPANY :

The main objects are inter alia the following :

"To carry on all or any of the following businesses, namely cotton spinners and doublers, flax, hemp, jute spinners, linen and cloth manufacturers, flax, hemp, jute and wool merchants, wool combers, worsted spinners, woollen spinners, yarn merchants, worsted stuff manufacturers, bleachers and dyers and makers of vitriol, bleaching and dyeing materials".

"To purchase, comb, prepare, spin, dye and deal in cotton, flax, hemp, jute, wool, silk and any fibrous substances".

The Company has been carrying on business since about the last 36 years. The Company suffered loss

up to the year 1930 as a result of which the values of the assets of the Company were written off as on 14th January, 1931, as per Reduction Scheme and the value of the Ordinary Shares was reduced to Rs. 280 per share from Rs. 10/- per share. Since then the Company has made steady progress. Consequently in 1943, the Company capitalised a sum of Rs. 5,00,000/- from its reserves and issued fully paid-up bonus shares of Rs. 280 each on the basis of one such bonus share to every holder of 3 Ordinary Shares of Rs. 28/- each. Further the face value of the Ordinary Shares was raised from Rs. 28/- per share to Rs. 20/- per share by the capitalisation of the profits of the Company from time to time on four different dates between 1948 to 1954 amounting in all to Rs. 1,40,00,000/-. In 1955, the entire 8,00,000 Ordinary Shares of Rs. 20/- each were subdivided into 16,00,000 Ordinary Shares of Rs. 10/- each. The present market quotation for these shares is about Rs. 198/- per share.

The assets of the Company consisting of land, buildings and machinery, etc., were re-valued in the year 1950 and a surplus of Rs. 1,45,87,000/- lies to the credit of capital reserve account of the Company as on 31st March, 1956.

PURPOSE OF PRESENT ISSUE :

The Company has so far been engaging itself in the manufacture of cotton yarn and cloth and hosiery goods. After carefully studying all the pros and cons of the matter, the Company has now decided to extend its activities and with that end in view it is proposed to instal a Plant for the manufacture of Continuous Filament Viscose Rayon Yarn. There is a good demand for rayon cloth and it is expected that the rayon yarn, which will be manufactured by the Company, shall fetch a good return to the Company. A licence necessary for the establishment of a 10 ton plant for the manufacture of the said goods has been obtained from the Government of India. It is, however, proposed to instal for the present a plant of 6.7 tons capacity only. The cost of the installations of the said 6.7 tons plant is estimated to be about Rs. 3,70,00,000/- as per particulars below:

- (i) Land, buildings, roads and other constructions About Rs. 80,00,000/-
- (ii) Machinery and equipment " " 2,50,00,000/-
- (iii) Working capital " " 40,00,000/-

TOTAL : About Rs. 3,70,00,000/-

Out of the above sum the Company proposes to meet about Rs. 2,70,00,000/- for the purchase of land, machinery and equipments and certain construction work from its existing resources, bank loan, deferred payments, etc. The balance amount is proposed to be met by the present issue of shares. In the opinion of the Directors, the minimum amount which must be raised by the issue of these shares is Rs. 60,00,000/- inclusive of the 50,000 shares which have already been subscribed and allotted which sum together with the said sum of Rs. 2,70,00,000/- will cover all the expenses except working capital.

It may be stated here that a portion of land required for the purpose aforesaid has already been acquired at Mouza Raghunathpur (where the said Rayon Plant is proposed to be located) in the District of Hooghly near Calcutta. Negotiations for the rest of the required land as well as for the purchase of the plant and machinery from various parties, are in progress.

Copies of the Balance Sheets and Profit and Loss Accounts on which the report of the Auditors is based and Memorandum and Articles of Association of the Company may be inspected at the Registered Office of the Company during office hours until the subscription list closes.

The Directors may, at their discretion, pay brokerage and/or commission at a rate not exceeding 2 per cent of the face value of the shares in respect of shares already allotted or to be allotted by them.

The financial position of the Company will appear from the Auditors' Report set out below:

AUDITORS' REPORT

Messrs. Birla Brothers Private Ltd., Managing Agents, Kesoram Cotton Mills Ltd., Calcutta.

Dear Sirs,

We have examined the books and accounts of (a) Kesoram Cotton Mills Ltd., as kept in Calcutta and Gwalior in which are incorporated the certified returns from the Mills and retail shops for the five years ended 31st March, 1956 and (b) Bharat Kala Bhandar Limited, a wholly owned subsidiary of Kesoram Cotton Mills Ltd., which is audited by Messrs. Singhi & Co., Chartered Accounts, Calcutta for the five years ended 31st March, 1956 and report that subject to the completion of the audit for the year ended 31st March, 1956 of both the Companies the profits are as set out below. The audits of the Company and its subsidiary for the year to 31st March, 1956 have not yet been completed. These profits have been arrived at after charging all expenses of working and management including provision for normal depreciation on the basis allowable for Taxation and after making such adjustments as are in our opinion, appropriate.

(A) KESORAM COTTON MILLS LTD.**INCOME**

	Year Ended 31st March 1952	Year Ended 31st March 1953	Year Ended 31st March 1954	Year Ended 31st March 1955	Year Ended 31st March 1956
Sales	6,37,50,875	6,04,40,797	5,53,57,727	5,57,20,480	6,07,45,028
Closing Stock	1,72,94,425	1,37,90,818	1,19,69,085	1,21,03,658	1,41,09,712
Dividend on Shares & Interest for Security	1,97,144	1,87,194	1,52,569	1,50,380	1,66,812
Interest, Rent & Taxes, and Misc. Receipts	51,550	83,093	1,05,081	65,035	2,35,474
Rs.	8,12,93,994	7,45,01,902	6,75,84,462	6,80,39,553	7,52,50,826

EXPENDITURE

	1952	1953	1954	1955	1956
Opening Stock	1,20,92,882*	1,72,94,425	1,37,90,818	1,19,69,085	1,21,03,658
Purchases	4,08,61,482	2,95,41,911	2,62,60,865	2,70,88,302	3,03,79,872
Salaries & Wages, Workers' Welfare etc	1,16,65,234	1,26,74,691	1,28,62,892	1,31,66,132	1,29,26,175
Other Manufacturing Expenses	74,92,517	66,22,550	70,70,387	73,95,893	80,61,137
General & Cloth Expenses, Commission and Brokerage, Rent etc.	12,95,826	20,66,304	15,47,415	18,83,565	17,67,905
Insurance, Auditors' Fees, Interest etc.	1,75,617	1,38,481	1,58,915	1,69,830	1,36,491
Managing Agents' Remuneration	13,74,533	13,07,949	11,99,779	12,61,706	13,48,670
Directors' Fees	8,400	8,400	8,400	8,300	7,800
Interest paid to Mg. Agents	—	—	—	12,561	—
Bad Debts written off	—	—	—	13,700	—
Rs.	7,49,66,491	6,96,54,711	6,28,99,471	6,29,69,074	6,67,31,708

Net Profits before Depreciation & Taxation	63,27,503	48,47,191	46,84,991	50,70,479	85,18,118
Depreciation (Normal)	5,34,186	6,36,776	6,56,964	7,03,284	7,45,452

Net Profits before Taxation	57,93,317	42,10,415	40,28,027	43,67,195	77,73,666
Taxation after allowance of Normal Depreciation	23,31,226*	17,21,337	15,84,224	17,96,951	33,92,927

Net Profits	Rs. 34,62,051	24,89,078	24,43,803	25,70,244	43,80,739
---------------------	---------------	-----------	-----------	-----------	-----------

* The Opening Stock has been written up by Rs. 33,88,233/- the amount by which the previous year's closing stock was undervalued. The tax provision in the Profit Statement has been calculated after giving effect to this adjustment.

The Initial allowance and Development Rebate and Double and Extra Shift allowances which are not included are as follows:

Initial allowance and Development Rebate	3,33,660	4,00,426	3,01,325	3,38,992	4,62,376
Double allowance and Extra Shifts	6,57,289	8,34,999	7,07,436	7,43,071	7,58,129

(B) BHARAT KALA BHANDAR LTD.

	Year Ended 31st March 1952	Year Ended 31st March 1953	Year Ended 31st March 1954	Year Ended 31st March 1955	Year Ended 31st March 1956
INCOME					
Sales	1,12,01,479	1,28,11,217	1,55,32,579	1,22,05,594	1,28,51,321
Closing Stock	18,52,801	22,75,570	13,35,987	11,70,677	14,09,989
Ginning & Pressing	2,08,082	2,83,565	2,22,403	2,51,123	2,11,710
Commission & Brokerage	1,42,720	2,17,031	1,70,346	2,98,291	91,441
Profit on Consignment, Interest, Rent, Miscellaneous Receipts etc.	57,140	34,454	29,166	7,440	34,199
Dividend on Shares	—	—	—	—	40,625
Rs.	1,34,62,222	1,56,21,837	1,72,90,481	1,39,33,125	1,46,39,285

EXPENDITURE

Opening Stock	35,44,996	18,52,801	22,75,570	13,35,987	11,70,677
Purchases	90,49,681	1,27,87,070	1,40,48,966	1,15,72,014	1,26,18,820
Ginning & Pressing Costs etc.	1,30,889	1,67,273	1,30,384	1,26,532	1,12,130
Selling & Other Establishment Charges	75,064	92,553	1,23,170	1,53,115	1,32,187
Salaries & Bonus	56,510	73,232	63,205	73,351	66,937
Interest, Rent & Taxes, Repairs, Insurance etc.	74,153	1,09,385	41,062	44,252	60,061

Directors' Fees & Commission	400	5,547	4,892	5,677	4,314
Bad Debts	4,982	1,353	—	1,002	4,438
	Rs. 1,29,36,675	1,50,89,214	1,66,87,249	1,33,11,930	1,41,69,614
Net Profits before Depreciation and Taxation	5,25,547	5,32,623	6,03,232	6,21,195	4,69,671
Depreciation (Normal)	15,524	23,686	22,752	18,672	17,208
Net Profits before Taxation	5,10,023	5,08,937	5,80,480	6,02,523	4,52,463
Taxation after Allowance of Normal Depreciation	1,88,890	2,03,113	1,78,572	1,91,959	1,34,638
Net Profits	Rs. 3,21,133	3,05,824	4,01,908	4,10,564	3,17,825

The Initial Allowance and Development Rebate and Double & Extra Shift Allowances which are not included are as follows:

Initial allowances and Development Rebate	13,934	10,048	875	2,577	1,399
Double allowance (No Extra Shift)	3,790	13,064	13,132	10,037	9,331

We also report that the assets and liabilities of Kesoram Cotton Mills Ltd. as at 31st March, 1956 and Bharat Kala Bhandar Ltd. as at 31st March, 1956 which is the last date to which the Companies' accounts were made up prior to the date of this report are as set out below subject to the completion of the audits of both the Companies for the year ended 31st March, 1956. These assets and liabilities have been arrived at after making such adjustments as, in our opinion, are appropriate.

KESORAM COTTON MILLS LTD.

Statement of Assets and Liabilities as at 31st March, 1956.

Fixed Assets—	Rs.	Rs.	Rs.
At Original Cost plus increase on revaluation as at 31st March, 1950 less depreciation to 31st March, 1956			2,45,03,689
Investments—At under Cost			
In Government Securities		70,418	
In Fully and Partly Paid up Shares and Debentures		31,22,428	
In Fully Owned Subsidiary		3,00,000	34,92,846
			2,79,96,535
Undistributed Bonus Shares			7,470
Current Assets—			
Stores, Coal and Spare Parts		9,04,209	
Stock of Cloth, Yarn, Cotton, Hosiery etc.		1,41,09,712	
Book Debts—			
Secured—Considered Good		73,102	
Unsecured—Considered Good		11,77,072	
Unsecured—Considered Doubtful*		17,413	12,67,587
Advances recovered in cash or for value to be received		8,29,393	
Advance to Wholly Owned Subsidiary		4,86,443	
Advance Payments of Tax under Sections 18A and 23B		1,30,16,644	
Cash in hand and in Banks		53,50,962	
Interest accrued on Fixed Deposits		32,112	3,59,97,062
			6,40,01,087
Less: Liability and Other Provision—			
Sundry Creditors			40,84,949
Loans (Unsecured)—			
Sundry Deposits			8,84,562
Dividends Forfeited			2,45,196
Unclaimed and unpaid Dividends			1,13,210
Provision for Taxation—			
As per account (Estimated)		1,62,39,665	
Less: Surplus (Estimated) transferred to other Reserves		10,00,000	1,52,39,665
			2,05,63,582
Net Assets as at 31st March, 1956			4,34,37,485
		Rs.	6,40,01,087
Represented—			
7% Cumulative Preference Shares of Rs. 100/- each fully paid in Cash			20,00,000
Ordinary Shares partly received in Cash		15,00,000	
Ordinary Shares partly issued for consideration other than Cash		25,00,000	
Ordinary Shares fully issued for consideration other than Cash		1,20,00,000	1,60,00,000
			1,45,87,000
Capital Reserve			71,11,124
Other Reserves (including Rs. 10 lacs excess tax provision)			37,39,361
Profit and Loss (balance carried forward)			
		Rs.	4,34,37,485

Note: There is a contingent liability in respect of uncalled capital on shares held amounting to Rs. 11,40,500/-

BHARAT KALA BHANDAR LTD.

Statement of Assets and Liabilities as at 31st March, 1956.

	Rs.	Rs.	Rs.
Fixed Assets—			
At Original Cost as at 31st March, 1956 less depreciation to 31st March, 1956		79,400	
Add: Profit on sale of machinery credited to machinery in accounts		801	80,201
Investments—At Cost			
In Government Securities		500	
In Fully and Partly Paid Up Shares		15,34,881	15,35,381
The Market Value of Investments at 31st March, 1956 (after including at book value investments to the amount of Rs. 7,91,335 - for which there were no quotations) was			16,15,582
Rs. 16,02,278 -			
Current Assets—			
Stores		22,035	
Stock		14,09,989	
Book Debts (Unsecured)—			
Considered Good		2,56,764	
Considered Doubtful		50,664	3,07,428
Advances recoverable in Cash or for value to be received		49,762	
Advance payment of Tax under Sections 18A and 23B		8,92,779	
Cash in hand and at Banks		72,969	27,54,962
			43,70,544
Less: Liabilities and other Provision—			
Sundry Creditors			6,85,473
Loans (Unsecured)—			
Kesoram Cotton Mills Ltd.			4,86,443
Provision for Taxation			9,86,655
			21,58,571
			22,11,973
Net Assets as at 31st March, 1956			Rs. 43,70,544
Represented by—			
Shares fully paid up in Cash			3,00,000
Reserves			17,94,250
Profit and Loss (Balance carried forward)—			
Balance as per Account		1,16,922	
Add: Profit on sale of Machinery		801	1,17,723
		Rs.	22,11,973

Note: There is a contingent liability in respect of uncalled Capital on shares held amounting to Rs. 58,500 - (O. S. Currency).

We also report that the dividends paid by Kesoram Cotton Mills Ltd. out of Profits on its paid up Capital without deduction of tax for the four years ended 31st March, 1955 are as follows. No dividend has yet been declared for the year ended 31st March, 1956.

	Ordinary 8,00,000 Shares	Preference 20,000 7% Cumulative Preference Shares of Rs. 100/- each
Year ended 31st March, 1952.	Rs. 1-12-0 per share on 8,00,000 Ordinary Shares of Rs. 15/- each—Rs. 14,00,000.	7%p.a. Rs. 1,40,000
Year ended 31st March, 1953.	Rs. 1-12-0 per share on 8,00,000 Ordinary Shares of Rs. 15/- each—Rs. 14,00,000.	7%p.a. Rs. 1,40,000
Year ended 31st March, 1954.	Rs. 1-12-0 per share on 8,00,000 Ordinary Shares of Rs. 20/- each—Rs. 14,00,000.	7%p.a. Rs. 1,40,000
Year ended 31st March, 1955.	Rs. 1-12-0 per share on 8,00,000 Ordinary Shares of Rs. 20/- each—Rs. 14,00,000.	7%p.a. Rs. 1,40,000

Note: These Ordinary Shares have since been subdivided into 16,00,000 Ordinary Shares of Rs. 10/- each. No dividend has been declared by Bharat Kala Bhandar Ltd. during the five years ended 31st March, 1956.

Dated, CALCUTTA,
14th June, 1956.

PRICE WATERHOUSE PEAT & CO.
Sd/- B. K. BIRLA)
" B. N. ROY CHOWDHURY)
" RAM KUMAR BHUWALKA) Directors.
" P. D. HIMATSINGKA)
" HIRALAL SOMANI)
" MAHALIRAM SONTALIA)

Dated, CALCUTTA,
14th June, 1956.

Printed and Published by Devi Prasad Sharma at the Hindustan Times Press, for "The Eastern Economist" Ltd., 52, Queensway, New Delhi. Editor:—E. P. W. da Costa, M.A. (Oxon.)

ATUL

DYES

CHEMICALS

PHARMACEUTICALS



THE ATUL PRODUCTS LIMITED

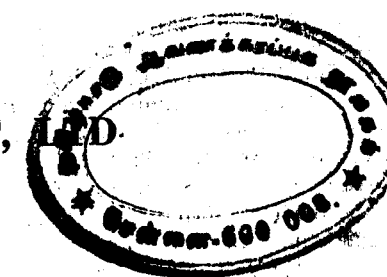
40, HUDA ROAD, DELHI

THE EASTERN ECONOMIST

A WEEKLY REVIEW OF INDIAN AND
INTERNATIONAL ECONOMIC AFFAIRS

Index to Volume XXVI. Nos. 1 to 13
January to March, 1956

THE EASTERN ECONOMIST, LTD.
52, JAN PATH
NEW DELHI.



Telegrams:
"Research"

INDEX

	Page.		Page.
LEADING ARTICLES			
Economists: The New Look	1	Incentives for Entrepreneurs	328
New Status for Bombay	3	The Budget and the Investors	329
The Tea Slump	4	The Taxes That Failed	330
Indo-American Relations: Second Thoughts	45	Ceilings on Income	331
Levellers at Work	47	The Private Sector	332
The Revised Railway Plan	48	Retreat on Tea Auctions	391
The Hour of Decision	81	Income-Tax Evasion	392
Steel Industry Sets the Tone	83	The Free World in Delhi	429
Tax-Free Technicians	84	Lessons of the Leninist Revival	431
The Nationalisation of Life Insurance	121	The Akali Dal—Gesture and Response	432
India and West Germany	123	The States Reorganisation Bill	473
The Islamic Republic of Pakistan	124	The Denigration of a Hero	475
The Break of Confidence	157	The Budget Debate	476
The Role of ECAFE	159	Mr. Mikoyan in Delhi and Karachi	513
Wanted: Better Blood Banks	160	The Sugar Target	515
India's Second Plan	193	Taxation of Registered Partnerships	516
The Amritsar Congress	195		
Policy for Shipping	196	THE WEEK'S NOTES	
After the Budget Pact	233	Agriculture, Food and Co-operation:	
Sugar-Coating off the Socialist Pill?	235	The Food Minister's Warning	125
Workers and Management	236	Banking, Insurance and Currency:	
D-Day in Delhi	273	The Case for Insurance Nationalisation	479
Life Insurance Corporation Bill	275	Planning and Aid:	
Railway Finances	276	A Fair Achievement	8
Dr. Jekyll and Mr. Hyde	327	Soviet Challenge on the Economic Front	85
		China's Twelve-Year Plan	161

THE EASTERN ECONOMIST

A WEEKLY REVIEW OF INDIAN AND
INTERNATIONAL ECONOMIC AFFAIRS

Index to Volume XXVI. Nos. 14 to 26
April to June, 1956

THE EASTERN ECONOMIST, LTD.
52, JAN PATH
NEW DELHI.

Telegrams:
"Research"

INDEX

	Page.		Page.
Distribution of Revenue and Expenditure ..	341	Plan outlay by Major Heads of Development	270
Analysis of Tax Revenue ..	341	Net National Product by Industrial Origin	270
Statement Showing in Selected Cases Tax Payable and as a Percentage of Income or Incomes Ranging from Rs. 4,200 to Rs. 30,00,000 ..	353	Targets of Production and Development	271, 272
Interim Index of Industrial Production ..	369	Imports and Production of Graded Machine Tools in India ..	272
Money Supply in India ..	370	Distribution of Outlay for Village Industries ..	310
Indian Government Railways ..	373	Industrial Production ..	311
Statement of Receipts and Expenditure of Indian Government Railways, 1956-57 ..	377	Estimated Additional Employment ..	311
'The Eastern Economist' Index of Indian Agricultural Production ..	378		
Industrial Development in Private Section and Under the N.I.D.C. ..	469, 470, 471		

BLUE SUPPLEMENTS

Nationalisation of Life Insurance....	February 3:
The Second Five-Year Plan....	March 2:
Overseas Shipping and Inland Water Transport ..	March 30:

Printed and Published by Devi Prasad Sharma at the Hindustan Times Press,
for "The Eastern Economist" Ltd., 52, Jan Path, New Delhi. Editor:—E. P. W. da Costa, M.A. (Oxon.)

	Page.		Page.
LEADING ARTICLES			
The Communist Party of India ..	553	The Coal Award ..	844
Socialists at the Signposts ..	555	By Faith and Courage ..	873
Krishi Pandits and Productivity ..	556	Taxation a La Kaldor ..	875
The Elections in Ceylon ..	589	The Vanishing Tenant ..	879
A Credit Squeeze ..	591	Farewell to Arms ..	913
Mineral Policy ..	592	Singapore Minus Marshall ..	915
Revision of Industrial Policy ..	625	Ramadier Loans for India? ..	916
Steel in 1966 ..	627	The New Cloth Policy ..	953
Advances and Speculative Activity ..	628	State Trading in Cement ..	955
The Apple of Discord ..	665	Mineral Policy: Production of Preliminaries ..	956
The World Bank Mission ..	667	The State Bank of India ..	993
Advertising and the Plan ..	668	Imported Inflation? ..	995
Industrial Policy and the Plan ..	693	The Prime Minister's Tour ..	996
The Anglo-Soviet Communique ..	695		
The Railways in the Plan ..	696		
Head I Win, Tails You Lose ..	729		
The Rabbit From the Hat ..	730		
Manpower for the Public Sector ..	732		
India's Second Five-Year Plan ..	765		
Property and Hindu Women ..	767		
Maps and Security ..	788		
Budha Mahajayanti ..	801		
Top Management in the Plan ..	803		
Pakistan's Plan ..	804		
Planning: Past and Present ..	841		
Finance Minister versus Auditor-General ..	843		

THE WEEK'S NOTES

Currency, Finance and Insurance

New British Index of Retail Prices ..	854
The Gold Weapon in the Soviet Armory ..	856
Britain's Balance of Payments ..	857
The Finance Bill ..	858
Select Committee on Insurance Bill ..	859
Pakistan Debt to India ..	860
Control over Expenditure ..	861
Reallocating Revenue Resources ..	862
Finance for State Enterprises in U.I ..	863
Decimal Coinage—A new Approach ..	864

	Page.
Education and the Second Plan	162
Parliamentary Control of State Enterprises ..	200
Industry:	
NEPA's Promising Start	86
Personnel for Public Sector	280
Labour:	
A Landmark in Industrial Relations ..	52
Transport:	
Road Transport Policy	200
Coastal Shipping Rates	280
Trade:	
East-West Trade	240
Miscellaneous:	
France Prefers a Cul-De-Sac	7
Hopes Fade in Malaya	7
The Age of the Divided Gospel	7
Economic Rethinking	7
History for the Millions	8
Baghdad Pact in Troubled Waters	51
Pakistan's Unchanging Constitution	51
Uneasy Peace in Thailand	51
Visitors from the West	52
Wanted a New Scheme of Examinations	52
Mr. Sachar's Exit	85
Pakistan's Constitutional Blind-Alley	85
Gold Coast's teething troubles	85
Rethinking on Language Policy	86
Delhi School of Economics	86
Do States Foul the Socialist Nest?	125
No Common Governors	125
When Charity Begins at Home	126
Israel Condemned	126
Sino-American Talks Founder	126
Eisenhower Rejects Bulganin's Proposal	161
Germany to Stay "Divided"?	161
Nepal's New Ministry	161
Exodus from East Bengal	162
Unemployment Among the Educated	162
Another Step in Merger Move	199
India and Big Power Status	199
No Orchids for Eden	199
Grim Outlook for Algeria	200
Amritsar's Call for Unity	239
Malaya Gains Freedom Road	239
Indonesia Severs Dutch Ties	239
Company Administration	240
Iconoclasm after Idolatry in Moscow	279
Britain's Unending War	279
India and Iran	279
Electoral Law Reform	279
The Death Penalty	280
Finance Minister's Smear Campaign	395
Difficulties of Dakshin Pradesh	395
Indo-British Relations	395
Britain's Darkest Hour	396
Independence for Morocco	396
T.C. Regains Instability	435
Target Date for Prohibition Off	435
West Germany's Increasing Role	435
From Bad to Worse in Cyprus	436
Stalemate in Viet-Nam	436
India and Pakistan	479
Budget Leakage Blows Over	479
Recruitment to Services	480
The P.-S.P. Decides	480
The "Ambar" Charkha	519
Second Thoughts on Merger	519
Exodus from West Bengal	519
Prospects of Disarmament	520
Janus Face of France	520
New Ministry for Indonesia	520

A WINDOW ON THE WORLD

Odysseus on:

"To Spite our Own Faces?"	11
"Whiter Britain in 1956?"	55
"The Future of British Socialism"	89
"Gaitsocialism"	129
"Un-Doctrinaire Socialism"	165
"The Economic 2nd XI"	203
"The Economics of Socialism"	241
"World Trade: The Soviet Challenge"	283
"East-West Traffic should be Two Way"	399
"Money in a Welfare State: A Case History"	439
"Nationalised Industries and Inflation"	483
"The Approaching World Crisis"	521

A DELHI DIARY

15, 57, 91, 131, 167, 401.

ECONOMIC REPORT FROM THE U.S.:

Outlook in 1956	16
Farm Surpluses Present Countless Problems	58
No Tax Reduction: More Foreign Aid Proposed	92
Economic Trends	132
1956 Economic Scene	168
People's Capitalism	205
Trade with the Soviet Bloc	245
The Employment Act of 1946	285
U.S. Foreign Trade Policy	410
Another Boom Year in the Offing	441
U.S. Economic Scene	524

WORLDGRAM AND NEWS IN BRIEF

17, 59, 95, 133, 171, 207, 247, 287, 403, 443, 487, 525

SPECIAL ARTICLES

Decentralism and the Karve Report	20
Development of Polish Agriculture	21
Wages, Productivity and Industrial Income	62
Industrial Architecture II	64
From Wealth to Capital Co-Efficients	99
Exports from India 1950 to 1955: A Commonwealth Survey	100
From Wealth to Capital Co-Efficients-II	137
From Wealth to Capital Co-Efficients-III	211
India's Administrative Problem	212
From Wealth to Capital Co-Efficients-IV	251
India's Administrative Problem-II—The Public Sector	252
The Railway Development Plan	291
The Outlook for Rolling Stock	293
Programming in Theory	342
The Budget and Deficit Financing	347
The Loan Target	347
Budget in the First Five-Year Plan	357
Budget During the Second Five-Year Plan	363
Canning What We Can	407
India's Administrative Problem-III — Services Under Democracy	406
Revenue Surpluses and the Plan	447
Railway Transport Capacity	448
European Economic Survey: 1955	491
Metric System and its Impact	492

THE BUSINESS WORLD

Rationale of New Issues	23
Outlook for Shipping	23
Unsealing Jute Looms	67
Economic Ties with Russia	68
Tussle Over Textile Targets	69

	Page.
Corporation for State Trading	105
Bonus Pact	105
Another Peak in Cloth Production	106
Bombay—What Next?	143
Tanker Fleet for India	143
Progress of Sugar Industry	144
Psychology in Cement Industry	177
Countering Soviet Economic Offensive	178
Sales-Tax Law Validation Ordinance 1956	217
Indo-German Chamber of Commerce	218
The Rationale of Textile Targets	257
Export of Iron Ores	295
A Saga of Private Enterprise	295
Implications of Budget Proposals	413
Lok Sabha Must be Watchdog of Tax-Payer's Money	450
The Bullion Problem	450
Outlook for the Jute Industry	495
Latest on Shipping	497
Non-Ferrous Sheet Rolling Industry	529
Sugar Industry in the Deccan	529

BOOK REVIEWS

	102
109, 140, 219, 255, 297, 354.	

BUSINESS NOTES

Banking, Insurance and Company Meetings

Hindustan Co-operative's New Peak	26
The National Carbon Co. (India) Ltd.	26
Insurance in 1954	71
Transfer of Evacuee Bank Accounts	108
International Finance Corporation	146
Indian Aluminium's New Issue	146
Balmer Lawrie & Co., Ltd.,	146
ACC Embarks on Expansion Plan	179
Lloyds Bank Limited	180
Higher Costs of Advances of Banks	222
Dearer Money	229
Compensation to Insurers	415
The State Bank of India	415
Groundnut Futures Reopen	453
The Bank of India	453
The "Six Per Cent" Mentality	500
Alkali and Chemical Corporation	500
The Bank Rate	535
Forward Trading in Pepper	535
The Central Bank of India	536
Polychem Limited	536

Industry:

A Panicky Decision	25
Automobile Prospects	72
Development of Sericulture	145
More Jute Looms Unsealed	145
Policy for Machine Tools	179
Will America Dump Her Cotton Overseas?	179
Fan Manufacture Recovers Ground	180
Ban on Mushroom Jute Units	260
Manufacture of Steel Tubes	454
Freezing of Mill Cloth Production	536

Public Finance:

Excise Duty on Rayon	26
Cement Imports	416

Trade:

A Progressive Import Policy	25
Stalemate in World Cotton Stocks	72
Forward Trade in Jute	108
Cold War in Cotton	145
New Steel Price	221
Higher Export Quota for Tea	259
Indo-Burma Textile Trade	259

Trade Deficit Widens	260
Indo-U.K. Trade for 1955	299
Hedge Trading in Coconut Oil	416
Import Trade Problems	499

Agriculture, Food and Co-operation:

Restricted Coffee Consumption	71
Ratification of Tea Bonus Pact	107
Indian Cotton Consumption	299
Cotton Tangle Comes up before Rajya Sabha	300

Planning and Aid:

Expansion Programme for Coal	71
Two Hurdles for the Coal Plan	415
Durgapur Steel Project	454
Coal Washery Plant at Kargali/Bokaro	454
Bonus Payment to Bombay Textile Labour	499

Miscellaneous:

Bank Employees' Agitation	25
Railway Freight Rates	107
Emergency in Bombay Port	107
Standards Convention	108
Indo-U.S. Air Agreement at Long Last	221
Payment by Result	221
Power Transformers	221
New Peaks in U.S. Economy: 1955	222
American Consultants for Indian Railways	259
Social Engineering	300
Labour Legislation	416
Workers' Participation in Management	500
Private Sector—An Objective Attitude	535

COMPANY AFFAIRS

27, 74, 111, 147, 186, 223, 263, 304, 417, 458, 501, 551.

COMMODITY NEWS AND NOTES

23, 73, 113, 148, 182, 224, 265, 303, 418, 457, 502, 550.

STATISTICS

Index Number of Wholesale Prices and Security Prices 43, 78, 114, 149, 187, 225, 266, 308, 427, 507, 552.	
Consumer Price Index Numbers for Working Class 43, 78, 114, 149, 187, 225, 266, 308, 427, 507, 552.	
Price of Gold and Silver in Bombay (Spot) 43, 78, 114, 149, 187, 225, 266, 308, 427, 507, 552	
Reserve Bank of India 77, 115, 150, 188, 226, 267, 309, 508.	
Insurance Statistics	78, 79
Scheduled Banks	116, 151, 189, 227, 268, 509
Money Supply	116, 151, 189, 227, 268, 509
Survey of India's Foreign Liabilities and Assets	117, 118, 119
Industrial Production in India	152
Average Daily Employment in Factories in some Important Industries in India	153
Census of Manufacturing Industries, 1953	154
Sugar (Excluding Gur)	154
Index Numbers of Cost of Living and Wholesale Prices in Foreign Countries	190
Latest Crop Estimates	190
Index Numbers of Indian Industrial Production	191
Indices in Real Earnings and Productivity in Industry	192
India's Trade with U.K.	228, 510
Sea and Air-Borne Trade of India	229, 511
Jute Statistics	230
Monthly Statistics	269
Industrial Progress in the First Plan	310
Central Budget, 1957-58	334
The Yields of the Principal Taxes	337

COMMODITY NEWS AND NOTES

578, 616, 654, 688, 722, 758, 794, 834, 864, 904, 944,
986, 1018

STATISTICS

Index of Wholesale Prices:

582, 619, 657, 723, 763, 795, 835, 867, 905, 946, 987

Consumer Price Index Numbers for Working Class:

582, 619, 657, 723, 763, 795, 835, 867, 905, 946, 987

Prices of Gold and Silver Bombay:

582, 619, 657, 723, 763, 795, 835, 867, 905, 946, 987

Scheduled Banks:

583, 621, 659, 725, 797, 836, 868, 907, 947, 989

Money Supply in India:

583, 621, 659, 691, 725, 797, 836, 868, 907, 947, 989

Reserve Bank of India:

620, 658, 724, 796, 837, 869, 906, 948, 988

Summary of Ways and Means Budget .. 584

India's Balance of Trade in Merchandise .. 585

Merchant Shipping .. 586

Indices of Quantum, Value and Terms of

Trade 1946-55 .. 622

Relative Importance of Countries Produc-

ing and Manufacturing Jute and Using

Jute Goods .. 623

Jute Statistics .. 660, 638

Census of Manufacturing Industries .. 661, 662

Indices of 'Per Unit Earnings' .. 692

Interim Index of Industrial Production	726, 670
Earnings of Factory Labour in India	727
India's Trade with U.K.	798, 990
India's Balance of Payments	839
Comparison of Movement of National Out-	
put at Current and Constant Prices	840
Net National Output at 1943-49 Prices	840
Analysis of Advances of Scheduled	
Bank's 1955	908
Ownership of Deposits of Scheduled Banks	
in India 1955	909
Analysis of Investments of Scheduled	
Banks, 1955	910
Financing of the Plan 1951-52 to 1955-56	946
Progress of Irrigation in the First Plan	950
Expenditure in the Irrigation and Power	
Projects	950
Progress of Plan Expenditure in the State's	
Sector	951
Velocity of Circulation of Deposit Money	951
Agricultural Production	991
Revised Index of Industrial Production	992

BLUE SUPPLEMENTS

The Oil Industry	April 27
Incentives in Industry	June 1
Electricity Industry	June 29

Nationalisation of Life Insurance

CONTENTS

The National Interest: What is It? ..	i	Nationalisation and Private Foreign Invest-	vii
Private Insurance: Strength and Weakness ..	ii	ment ..	
Nationalised Insurance: Fancy and Fact ..	iv	The Future of Life Insurance ..	vii
Taxation and the Growth of Insurance ..	v	Reactions to Nationalisation—A Roundup ..	ix
Public versus Private Investment ..	vi	Statistics ..	xi

The National Interest: What is It?

IN a Leading Article "The Nationalisation of Insurance" in the issue of 'The Eastern Economist' dated January 27, it was indicated that this Blue Supplement on 'The Nationalisation of Life Insurance' was designed primarily to provide a specific answer to the question as to whether the national interest has been served by nationalisation. Obviously, if any precise meaning is to be given to this answer, we must first give a precise meaning to the words 'National Interest'. There are no words more easily abused than these. It is all too easily supposed that the national interest is served when legal ownership is spread amongst all the people instead of being concentrated in a smaller fraction. This is the first misapprehension which must be cleared. Public ownership is not necessarily synonymous with the public interest. It is arguable that in some cases it is, but it is by no means an axiom that either public ownership or public management is closely correlated with increased output.

In the two articles which follow the relations between the national interest and public ownership in insurance and the relationship between the national interest and public management in insurance are discussed in greater detail. For the present what is proposed is merely to give some indication of the areas in which national interest can be assisted or hindered by the process of nationalisation. Broadly, these might be described as three. The first of these is the volume of national income which is assisted by the process of nationalisation in itself. It is extremely unlikely that the volume of national income can be enhanced in any way by a process of nationalisation and it is likely to be reduced. This does not ignore the point that the State can compel insurance, while private insurers cannot. To the extent that savings are 'forced' by

compulsory insurance, the State merely institutes a diversionary process; such a process is likely to hurt income as much as, or more than, it assists capital formation. The second consideration is whether nationalised insurance will provide any significant volume of new employment or net welfare in forms which private insurance could not. The answer again is in the negative. It is even arguable that to the extent that (a) insurance premia are raised and (b) bonuses to policyholders are reduced, there will be injury to policyholders, who have a special place in the estimation of national interest as a result of the diversionary process. Finally, there is the issue as to whether nationalisation gives the country as a whole—not the public sector only—additional resources, foreign or domestic, for purposes of the implementation of the Plan or otherwise. The answer here is that the country as a whole is not benefited and, to the extent that our credit abroad in private markets has suffered, that we are net losers in the transaction. The net national interest conceived as a balance of economic forces—net additions to national income, net additions to welfare and net additions to total resources—has, therefore, it is argued, been injured.

While it is argued that the national interest has been injured in this operation, no attempt is made to sound an alarmist note in regard to the trend of insurance in this country. Indeed one of the most important articles in this Supplement relates to the incentive to new insurance which has been given by tax rebates in the Budget of 1955-56. It is pointed out that this is so large particularly in the group of incomes above Rs. 15,000, that the urge to extend insurance whether in the private or in the public sectors is 'ceteris paribus' overwhelming. For example, at an income level of Rs. 15,000 the income-tax rebate is over Rs. 300 per year if the

full figure of one-fifth of income is utilised for insurance giving a return of about 10 per cent on the sum of Rs. 3,000 paid as premia. Since, in point of fact, it is extremely likely at any level of income that the full rebate is utilised, it will be seen that an extraordinarily large incentive to insurance has been built into the economic system merely by the tax rebate. It is, therefore, argued that the range of total life insurance will not be reduced and will considerably extend in the next few years. This is merely an indication of the arithmetical point that every new insurance which ranks for tax rebate gives a yield as on an investment which is greater than that which can be obtained in any other investment. In other words, the last Budget introduced a differentiation in favour of additional insurance which was so marked that the disincentives of lower bonuses likely to result from government management and of less enthusiastic sales are more than offset. It by no means follows that the national interest has been served by nationalisation since this incentive would have been even more effective if it had been combined with more enthusiastic sales and private management which, by general agreement, will be less wooden than regimented government sales.

An injury not to be exaggerated has been done to the volume of new insurance to the extent of slowing down a process of capital formation via insurance which was gathering strength because of the strong inducement under the Indian tax system which neither nationalisation nor government inefficiency has destroyed. The volume of insurance is likely to continue to rise even if its rate as a percentage of national income does not. In other words, net capital formation in insurance is likely to continue to rise unaffected by the process

of nationalisation. It is almost certain, however, that the figure will now be somewhat lower than it would have been with an energetic sale of insurance policies in private hands. This is really a time lag in insurance the full effects of which should not be exaggerated.

On the financial side the real trouble arises not in respect of a reversal of insurance trends—which it is argued are impossible with the present tax inducements—but the general injury to the private sector's philosophy as a whole and the Government of India's credit in private markets abroad. This is analysed in some detail in a separate article on 'Nationalisation and Private Foreign Investment'. Here, it is believed, the loss is very great.

To sum up, the conclusion of this Blue Supplement is that the national interest—conceived as the difference between what would have happened had no nationalisation taken place and under present circumstances—has been injured. While no substantial reversal will take place in regard to insurance trends there are small losses under total national income and on receipts in the insurance sector. The first is a true loss, the second is likely to be only diversionary. The major loss is intangible, namely, in the injury that has been done to the private investment climate. This, being an intangible, cannot be measured; that does not imply that the loss is not great. It is believed by 'The Eastern Economist' to far outweigh any minor advantage which the public sector might have gained for its own narrower ends. This has been an act of insensitive haste; its cause is a blindness for intangibles in economic affairs which is, unhappily, growing greatly in New Delhi at this time.

Private Insurance: Strength and Weakness

THE two main objectives of nationalisation of life insurance set out by the Finance Minister in his broadcast speech were the effective mobilisation of the people's savings and safeguarding of the funds of the policyholders. On a third objective, of efficient service to the policyholders, the Finance Minister has remained content with being on the defensive and merely saying that there was no reason why the system of insurance run by the State should prove less efficient than private insurance business. Thus the question of safeguarding of funds is likely to figure more prominently in discussions on this subject than all other considerations. As usual, it is possible to cite instances of maladministration, and worse, in order to prove that all is not well with the present state of our insurance business. It is, therefore, necessary that both the contribution of private life insurance business as well as its shortcomings should be subjected to fierce scrutiny.

On the question of the efficiency of private insurance to mobilise the savings of the community, the statistics of new business effected year after year in the last decade speak well of the energetic attempt made to expand business and help mobilise savings. Leaving aside the non-Indian insurers for the moment, we find that the amount of new life insurance business each year has increased from Rs. 123.7 crores in 1945 to Rs. 213.3 crores in 1954, and that the net amount of life insurance business in force in India increased from Rs. 460 crores in 1945 to Rs. 922 crores in 1954. This doubling of the annual rate as well as the total business in force during the period of ten years is not indeed a low or disappointing rate of achievement. It was a period of inflation which had both advantages and disadvantages; while it created new and larger incomes, it also led to a high cost of living which

considerably affected the capacity of the people to save and to pay insurance premia. The annual rate of increase was, as a result uneven, the good years having offset the deficiency of the bad, showing a satisfactory final picture as described above. This is, on the face of it, a record of efficient business in mobilising savings.

Of about five million policies now in force, it may be said, after making allowance for more than one policy covering the same life, that not all the potential subscribers to policies have yet been covered and that, in any case, the insurance idea has not been carried to the rural areas. But this is a criticism which may well be applied in a number of other fields, progress in which may have to precede the building up of the insurance habit. For example, illiteracy has been one of the obstacles to an appreciation of the value of insurance. Also poor medical facilities and poor standards of hygiene and sanitation would have involved a higher rate of actuarial risks because of the much lower life expectation, just as high mortality in maternity cases has been a hindrance to insurance among women. In the context of the high costs involved in access to rural areas either to effect new insurance or to collect premia, these risks would have proved too high for a quick spread of business.

On the other hand, insurance business in India has derived considerable advantage from the fact that life expectation over the country as a whole, and in the particular sections of the community in which the business was concentrated, has been rising fast. The rates of premia were not promptly adjusted to this improvement in general health and longevity of the

assured, at least until very recently; it is possible that if the adjustments had been made in time the companies would have set up an even better record. When the adjustments were eventually made, a form of rate war was introduced which proved to be unhealthy and had to be checked. The existence, however, of scope for revision of premium rates is not in dispute as the leading companies have already shown. If in the future it is made possible, under a system of nationalised life insurance, it will be due not to nationalisation as such but to the utilisation of an opportunity which private business did not perhaps seize upon quickly enough.

The next important item in the indictment of private business in insurance is the resort to the unhealthy practice of offering reduced rates of premia to specified categories of people. This seems to have been the cause of a certain amount of abuse. The law made the offering and the acceptance of rebates liable to punishment and there have been some evasions through improper systems of accounting. This evil has figured year after year in the report of the Controller of Insurance who has emphasised the fact that larger rebates which divert business from one insurer to another undermined the financial soundness of the companies and defeated the objects of uniform tariffs. It was only recently that a Code of Practice was evolved to check this evil and the Code has not been in existence long enough to have proved its worth. Until a new accounting procedure is evolved and applied, the success of these measures cannot be evaluated nor can the magnitude of the evil be clearly known.

But the gravest of all charges against the management of insurance companies relates to the nature of their investments. The purchase and sale of the securities as part of the investment programme of the insurers certainly offers scope for personal gain to managements acting through their own nominees. But a graver charge has been the tendency noticed to falsify statements of investments with a view to diverting controlled funds towards other businesses in which managements have been interested. The extent to which this abuse has been prevalent is yet undetermined and it is possible that the taking over of the management of insurance companies under the ordinance would throw more light on this aspect of abuse. It is now five years since the law was amended giving wide powers to the Government to check such abuses but only seven insurance companies were under the charge of Administrators in 1954 of which only two were big. The major companies have earned a reputation for promptness and efficiency. The Finance Minister has referred to the fact that during the last decade as many as 25 insurance companies went into liquidation and another 25 had to be transferred to other companies at a loss to policyholders. Such failures cannot be held to prove a to the rule of good conduct cannot be held to prove a to the rule of general inefficiency any more than the inefficiency of individual departments of Government, of which there is no dearth, would prove the unfitness of the public sector as a whole to expand its domain. Bankruptcies cannot prove that the system of companies is played out.

The charge of misinvestments of controlled funds of insurers may be exaggerated even when it is granted there is some foundation for the charge. The breaches that occurred could have been discovered by an efficient system of inspection; indeed, even the mere suspicion that a vigilant inspectorate is functioning actively would have prevented much of the abuses. It is not clear how far the provisions of Section 33 of the Indian Insurance Act, which enable a system of investigation into the affairs of companies, have been utilised. This failure to supervise effectively prompts the question how the Government which has been feeble in its

exercise of existing powers in the insurance field would be able to undertake and run the entire business on its own.

The circumstance that most insurance companies have held a very large proportion of their controlled funds in Government securities, much in excess of the statutory minimum for such investments, should be construed as prima facie evidence of a general inclination not to misdirect this fund. If the scope of such misdirection had indeed been as much as is often believed, there would have been no reason for this high proportion of investment in Government securities. These high proportions were noticed even before 1950 when the Amendment Act came into force and increased the percentage prescribed by the law for investment in such securities. The amendment did not in effect, create any hardship. The maximum legally permitted to 151 Indian insurers in "non-approved" investments in 1954 was Rs. 34.43 crores and they could have abused it; but they actually held only Rs. 5.3 crores in such investments, proving that abuse is not widespread but infrequent. The defaulting insurers have, however, committed errors only in respect of other approved classes of investments and the total amount involved in 1954 of the defaulting insurers was only Rs. 16 lakhs, as against the sum of nearly 31 crores of rupees which were in excess of the statutory requirements in the case of investment of all other insurers.

The third major question relates to operational efficiency. There will undoubtedly be a consensus of policyholders' opinion on the point that in respect of service they dare not expect more benefits from a nationalised system of insurance. In the matter of granting policies, issuing periodical premia notices and, most important of all, in granting loans to policyholders and other concessions during periods of difficulty, the companies have shown promptness, which it will be foolish to expect under nationalised auspices. The policyholder has probably not enough concern over whether his funds are being misused or not; for that he would rely, as indeed he has a right to rely, on the vigilance of the State. What he will be more concerned about will be the concessions which he can obtain as policyholder. There is conclusive evidence on hand of a distrust of the nationalised sector in the fact that the system of Postal life insurance which was open to Government servants, who are part of the public sector, has not been availed of by more than a small percentage of those eligible, in spite of the fact that the rates of premia have been much lower than those offered by the better companies. There was also the additional advantage that Government employees were in a position to pay the premium by deduction from their salaries. Yet not many have been tempted to benefit, primarily because it did not constitute a form of saving which could come to the rescue of the policyholder or his heirs in time of need.

The private companies on the other hand have been able to settle claims and grant loans in a matter of days and even hours, partly because their agents are men who have been in close touch with their clients and it was possible for them to make decisions without much red-tape. Proof of this is to be found in the report of the Controller where it is stated that only about 22 cases were recorded in four years until 1954 in which the Controller had to intervene in favour of claimants for life insurance amounts below Rs. 2,000. It is not known to what extent even these 22 cases related to the better managed companies; presumably they did not. In a system of competitive striving for business it would have been unfortunate for any company to create the impression that it is petty or niggardly in dealing with claims. That consideration will not apply to a monopolistic and wooden officialdom which will come into being under the new dispensation.

Nationalised Insurance: Fancy and Fact

WILL a nationalised system of insurance help to preserve the virtues of private insurance while avoiding its weaknesses and at the same time satisfy the requirements of those who contribute their savings? If past performance is a guide in this matter, the outlook is not by any means hopeful. In India, the Government has been operating for a long time a system of life insurance through the Postal Department, which, though restricted to employees in the public services, provided considerable opportunity to combine service with efficiency. The rate of growth of the total life business in force has been slow, increasing from Rs. 3.38 crores in 1914 to Rs. 19.36 crores in 1939, where it remained almost stationary until 1950; even during the last eight years since Independence when employment under Government and expenditure on salaries have expanded enormously, the net addition to life business each year has not proportionately reflected the larger incomes disbursed in this sector.

GROWTH OF POSTAL LIFE BUSINESS

Year	(Rs. in lakhs)				
	New Business	Business in force	No. of policies	Sum insured Rs.	Premium income Rs.
1914	2,126	27	24,574	3,38	14
1931	9,710	150	79,058	14,86	61
1939	4,972	96	97,751	19,36	81
1946	3,552	77	92,685	18,87	75
1949	4,022	102	92,664	19,36	67
1952	8,363	227	102,944	23,16	86

This is a feature which cannot be glossed over. There was every conceivable inducement present to public employees to benefit by this system if they could only have acquired the confidence that they would be well and truly laying by for the rainy day. The Postal premium rates have been considerably below the commercial rates and payments were facilitated by stoppage at the source. But by 1952, there were barely one lakh of life insurance policies in force, which were only four times the number of policies in force in 1914. This number is only about one-sixth of the total number of Central Government employees alone, and about less than 5 per cent if all the eligible categories of public servants are taken into account. Obviously, private companies have attracted a large proportion of the business from this class more effectively than the Government could, in spite of its lower premia; the reason for their expansion may partly lie in the aggressive salesmanship of agents but a stronger inducement was the fact that in the settlement of claims and in providing other facilities, the Government could not prove itself to be imaginative and prompt enough.

On the other hand, those responsible for the administration of the Postal Insurance Department also appear to have taken an easy-going attitude, without displaying any ambition to expand the scope of their activities even under the very favourable conditions under which they could have operated. The actuarial risks in the particular class of persons eligible to postal insurance were very much lower since government servants are as a rule subjected to a medical examination before their appointment and the nature of their work compels them to more regular ways of life than other persons, making for better health and a lower rate of mortality. Secondly, the system of collection of premia from salaries reduced the expenses of management greatly. There would not have been any need for canvassing business on the scale on which company

agents had to do or to offer inducements by way of rebates. It should have sufficed merely to insist that a minimum insurance contribution was compulsory like a pension contribution. There were policies available from Rs. 100 onwards to suit all income groups. Even the latest spurt in Postal Life business is due to some such inducements in some States which have sought to combine pension with insurance.

The question of expansion of Postal Insurance facilities has been under consideration for some time. It would have been far better if Government had utilised the scope for such expansion and entered the field for its own business as a competitor with the private companies, giving an additional example of our mixed economy instead of acquiring a monopoly through the elimination of the private sector. The entry of the State into this field need not have seriously affected the commercial insurers. The Post Office could have issued policies for small sums and it had a vast network of about 55,000 Post Offices spread throughout India and this number is expected to expand to 80,000 in the next five years. Thus an agency has been ready at hand through which the State can operate almost immediately, a facility which was not available in the field of banking where the Government found it necessary to nationalise the Imperial Bank in order to find branch offices to operate in the rural sector. There is no doubt that if the State wanted merely an opportunity to prove that it could conduct the business with efficiency and with a new spirit of service, it was available to it without nationalisation. Savings in the rural sector could have been thus mobilised for purposes of development in the process of providing cover against risks to the members of the rural community, who were hitherto outside the insurance field. Together with the funds available through the expansion of business amongst its own employees the State would have been larger than the largest private life company now in existence and could in time grow to be equal to the combined strength of the dozen biggest companies.

Past inefficiency is indisputable, while the future, though uncertain, gives no particular ground for expecting a vast improvement. This drawback is not peculiar to India. In the U.K. the Post Office scheme of life insurance, established in 1864, was discontinued in 1928 because of the progressive decline of business. The British Labour Party took up for consideration in 1949 the question of nationalisation and almost the same charges made against private companies as those now made in India were then heard; but in November of the same year the National Executive of the Labour Party decided to withdraw the question of nationalisation and substituted it with a recommendation for mutualisation which meant that insurance companies would be owned by policyholders and operated on their behalf. One of the reasons which compelled this course was the large proportion of foreign business which the British companies attracted, which, it was felt, would be lost under nationalisation causing a decline in the invisible incomes to Britain.

Everywhere, there has been the realisation that the advantages claimed for nationalised life insurance, such as prevention of misuse of funds and economy in operation by the elimination of unhealthy competition, can be proved only in the abstract and not in practice. In the other countries where private enterprise has been more robust than in India, there was an additional argument that the companies secured a larger income from their varied investments than what would be possible under a cautious official policy. In these countries, insurance funds have contributed to development in

various fields and the public sector was not their direct competitor for the savings of the community. Here in India that is not the case, especially at this stage, but private insurers have already adjusted themselves to this situation by keeping larger amounts than necessary in Government securities. Only about a sixth of the assets of the Indian companies or about Rs. 55 crores (out of their total assets of Rs. 339 crores) were invested in debentures, preference shares and ordinary shares of Indian companies. This is not indeed a large contribution to the private sector and if even this is to be prevented—and there is no other way by which the public sector can appropriate to itself a larger share except the additional funds available from the normal growth of insurance—it could have been secured through other ways than nationalisation. But it is wrong to say that investments in the public sector are as such more productive and consistent with the national interest than existing investments of insurance companies in private

business. The public sector in this case can only argue that what the private sector loses on the swings is gained in the roundabouts and that even if the State takes hold of the entire savings available through insurance, it would be assisting the private sector through other institutions like the Finance Corporations, and the Development and Industrial Investment Corporations. This argument can, however, be rebutted by the fact that this involves a helpless dependence on the public sector for funds and much difficulty in convincing officialdom at several stages, which is unnecessary. Once consent for capital issues is given, all investment must be deemed to be in the national interest. At this stage, however, the debate would be carried far beyond the question of the merits of nationalised versus private insurance, into the realm of the right of the public sector to appropriate to itself the complete control over the disposition of the savings of the community in the name of protecting the policy holder.

Taxation and the Growth of Insurance

ONE of the vital questions suggested by the nationalisation of insurance is the extent to which it will alter trends in the form of receipts by way of insurance premia. Quite often advocates of private insurance make the mistake of supposing that "the system"—that is, public or private ownership or management—is a decisive factor in deciding whether or not there will be growth or its reversal. To elevate the system whether in insurance or in industrial or tertiary undertakings into a paramount determinant of the level of activity ignores the large "non-system" factors which must operate in all economic affairs. The demand for insurance is, in a sense, a "non-system" factor. Men and women seek insurance because of the hazards of old age or premature death or accidents which might lead to a

destruction of earning power. The character of this urge and its expression are both unrelated to the nature of the insurance system which is provided. All that can be said is that, in the marginal area, where enthusiastic sales promotion might turn a point, the demand for insurance might be affected. But to elevate a marginal factor into a major determinant is a serious error. In that sense the nationalisation of insurance is likely to be of the second order in assessing the growth of insurance.

What has made this assessment even more true at the present time is the character of taxation, particularly that introduced by the 1955-56 Budget which gives the highest rate of rebate permissible almost in any

REBATE IN INCOME-TAX AS AN INCENTIVE FOR INSURANCE

Wholly Earned Incomes	Earned Income Allowance	Net Incomes	Income-tax Including Super-tax*	Income-tax Without Super-tax†	Life Premium Allowance	Rebate in Income-tax
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
4,200	840	3,360	86	86	960	22
4,800	960	3,840	94	94	1,000	24
5,000	1,000	4,000	131	131	1,200	33
6,000	1,200	4,800	224	224	1,440	56
7,200	1,440	5,760	345	345	1,680	86
8,400	1,680	6,720	461	461	1,920	115
9,600	1,920	7,680	508	508	2,000	127
10,000	2,000	8,000	744	744	2,400	186
12,000	2,400	9,600	923	923	2,640	231
13,200	2,640	10,560	1,128	1,128	2,880	282
14,400	2,880	11,520	1,230	1,230	3,000	308
15,000	3,000	12,000	1,537	1,537	3,360	384
16,800	3,360	13,440	1,742	1,742	3,600	436
18,000	3,600	14,400	2,132	2,132	4,000	533
20,000	4,000	16,000	3,444	3,183	4,800	764
24,000	4,000	20,000	3,772	3,445	5,000	820
25,000	4,000	21,000	6,332	5,020	6,000	1,116
30,000	3,000	27,000	9,404	6,910	7,200	1,455
36,000	1,800	34,200	11,451	8,170	8,000	1,650
40,000	1,000	39,000	54,369	24,183	8,000	1,935
1,00,000	..	1,00,000	97,026	37,299	8,000	1,989
1,50,000	..	1,50,000	1,41,322	50,433	8,000	2,017
2,00,000	..	2,00,000	1,85,619	63,558	8,000	2,034
2,50,000	..	2,50,000	2,29,916	76,883	8,000	2,050
3,00,000	..	3,00,000	2,74,212	89,808	8,000	2,058
3,50,000	..	3,50,000	3,18,509	1,02,932	8,000	2,059
4,00,000	..	4,00,000	4,07,103	1,29,183	8,000	2,067
5,00,000	..	5,00,000	8,50,072	2,60,433	8,000	2,083
10,00,000	..	10,00,000	17,36,009	5,22,933	8,000	2,092
20,00,000	..	20,00,000	26,21,947	7,85,433	8,000	2,094
30,00,000	..	30,00,000				

* Including surcharges, both on Income-tax & Super-tax.

† Including surcharge on Income-tax.

country in the world. The table on p. v shows the extent to which this rebate applies from levels of income from Rs. 4,200 per year to Rs. 30 lakhs. Since the maximum premium free of income-tax is Rs. 8,000 per year there is no substantial change in the premium allowable after an income of Rs. 40,000. On the other hand, this is by no means the case in regard to the value of an income-tax rebate. The income-tax rebate percentage increases in the interval between Rs. 40,000 and Rs. 10 lakhs. It might be assumed that almost everyone above Rs. 40,000 would cover himself in time with the full insurance eligible to rebate. In other words, there is an overwhelming tendency, certainly in incomes above a certain class, to make full provision for insurance up to an annual premium of Rs. 8,000. To the extent that this is not the case at the present time obviously nationalisation will not effect a disincentive; the reason for failure to utilise the full rebate must be elsewhere.

Below the level of Rs. 40,000 the position is less certain. Here the question which is to be considered is the volume of current consumption expenditure which the assessee considers inescapable. The chances are that between the level of Rs. 24,000 and Rs. 40,000 every assessee would strive for greater insurance. It may be that in this section half the total rebate would be in fact utilised. This would also make for much greater

insurance than exists at the present time. So far as incomes below Rs. 15,000 are concerned the rebate factor is less significant and one might wonder whether it would be as effective as in other income groups. It is also to be remembered that in this group many assesses are covered by some kind of provident fund which is equally eligible for income-tax rebate.

Nevertheless, summing up the total position, it must be obvious from the last column in the table below that there exists a very powerful incentive in all income groups to raise total insurance up to one-fifth of income allowable for rebate. This fact of supreme importance in determining the character of growth of insurance implies that the mere fact of nationalisation will not be a major deterrent. What it implies is that, while the marginal sales may be held back by government woodenness and by some lack of interest if it should happen that loans from insurance companies are delayed in the usual public sector manner, the broad character of progress in insurance is likely to be maintained.

It is not, therefore, substantially true that the character of growth of insurance will be suddenly altered by an act of nationalisation. It is much more likely that all that nationalisation has done in this respect is to damp slightly the rate of growth.

Public versus Private Investment

ONE of the questions—as will be seen a marginal one—is the problem of the likely impact on insurance receipts of the diversion of private investment to public investment on, perhaps, somewhat different principles. Fifty-five per cent of the revenues of Government Insurance Companies are by law to be invested in Government securities. Of the remainder, as the table below will show, a very considerable percentage is held in debentures, preference shares and ordinary shares of a type which are acceptable to the private sector but may, under the pressure of nationalisation, be diverted to the financing of public, instead of private enterprises. Again, as the table below will show, land and house property covered about Rs. 17 crores in the years 1953 and 1954. The figure is probably larger today but accurate statistics are not available; will not this figure be substantially changed?

Distribution of Assets of Indian Insurers in the Private Sector (Rs. lakhs)					
	1950	1951	1952	1953	1954
Debentures			13.15	14.70	20.77
Preference Shares	33.20	34.68	10.90	11.30	11.95
Ordinary Shares			17.78	19.94	22.75
Land and house property	9.59	12.48	15.31	17.58	16.59
	42.79	47.16	57.12	63.52	72.06

It may be taken as certain, and this is expressly admitted by most outspoken Government authorities, that under political pressure the character of investment of "free" insurance revenue will change with the object of fostering the public expenditure at the expense of the private sector. So far as the public sector is concerned, the additions to its resources may be considered marginal. Assuming that in the next five years the diversion is of the order of Rs. 5 to Rs. 10 crores per year, the figure over the second Five-Year Plan would certainly be less than 1 per cent of the total expenditure in the public sector. On the other hand, the position in regard to the private sector is by no means so happy. For one thing, the private sector in organised industry is much smaller and it has an onerous task in the raising of something like Rs. 300 to Rs. 400 crores of fresh capital beyond its reserves in order to finance development in the second Five-Year Plan. A diversion of Rs. 5 to 10 crores per year particularly if it falls on particular commercial houses

which have their own insurance companies, is bound to have an injurious effect on the financing capacity of these houses. It is no secret, for example, that the house of Tatas will be greatly injured in this respect by the withdrawal of the resources of the New India Life and General Assurance Company, India's second largest insurance house. Similarly there have been alliances between other managing houses and insurance companies which are likely considerably to be hampered, affecting their development plans in the next few years. If Government does not come to the aid of these houses, for example, by assisting through nationalised insurance as, say, in the taking up of the new Tata Iron and Steel issue, the effect on new flotations in the capital market in the private sector may be very marked. This might, of course, be overcome by the Government's making additional loans to the private sector. But since these loans carry onerous conditions of their own, nobody need contend that the position would be exactly the same as if the private sector had recourse only to its own funds.

There is a similar point which arises from the fact that investment decisions in the public sector are more divorced from the rate of return than they are in the private sector. With 'welfare' principles of investment predominating, such as in the great factories of Sindri and Chittaranjan, it is natural that the return in the public sector will be less than in the private sector. Assuming, say, five years from now, that the insurance revenue under life policies was Rs. 100 crores per year and the return on public sector investment was half that on private sector investment (which might conceivably have an average of 6 per cent on "free" investments), one might argue that this would involve a subsidy of about a crore of rupees a year to the beneficiaries of welfare schemes in public enterprises. This is a small figure but it raises an issue of principle.

To sum up, the position is that the diversion of private funds to the public sector involved in nationalisation will be marginal to the public sector, but may be very significant to particular houses in the private sector. It is also likely to involve a small tax on the community for the benefit of those working in public enterprises. These look like marginal gains and losses, but they are significant enough to be described in an overall picture.

Nationalisation and Private Foreign Investment

THE question is being asked all over the world as to what the nationalisation of Indian life insurance portends in the general setting of the Government of India's attitude to private enterprise. A deputation from the city of London representing British insurance houses is coming out almost immediately to seek for clarification as to the terms of compensation and other matters connected therewith. But the information already received from London as well as from other centres suggests that, even if compensation is fair, as in the case of the Imperial Bank, the step that has been taken is reckoned as one which is a powerful deterrent to future private foreign investment.

This statement must be qualified as indeed all such statements must be read in the context of India's development plans. In the first place, private foreign investment does not possess a uniform character. In the Indian context at the present time there are three separate strands which are differently affected by the Government of India's "socialistic" policy. These are, firstly, foreign business houses in India, secondly, new suppliers who are entering the Indian development market for the first time, and, finally, the private investor whose interest in India is not concerned with manufacturing or supplying, but is entirely in terms of financial rewards. They have been affected unequally in the leftward flow of economic policy in the last two years.

So far as foreign manufacturing houses in India are concerned, the nationalisation of insurance has only had a psychological effect. There is no reason to believe that the returns on manufacturing investment have in any way been affected by this operation. On the other hand, there is certainly a widespread belief that this is an additional indication that the Government of India's attitude to the private sector is one of restriction, reflecting a determination to supplant it at the earliest possible moment by the public sector. Whether or not, therefore, the level of manufacturing profits has been altered, the inducement to expand the manufacturing operations in India by foreign manufacturing agency houses has been restricted though perhaps not very greatly in the short period.

The position is quite otherwise with suppliers most of whom have no previous knowledge of the character of the Indian market, and who are only concerned with profits on orders either from the private or public sectors. In this respect the status of the Government of India as a buyer being better than that of the most

of the private enterprise houses, it may be argued that additional resources in the public sector do no injury to foreign private co-operation and to that portion of investment which is designed merely to assist collaboration and supply.

The position in regard to the private investor is again very different. Here the belief that nationalisation, particularly when the volume of compensation is not subject to appeal in a court of law, is expropriatory has gained considerable ground. Reports from abroad confirm the view that private foreign investment has been seriously disturbed by the nationalisation of insurance, and it may be taken for granted that in the next five years that private foreign investment of the kind which is not attracted by other considerations will disappear.

It is important to remember in this assessment that in the last five years much the greater portion of foreign investments in India has been attracted to the Indian market by "other considerations". It might be said, broadly, that on the total inflow of foreign capital of all kinds over the five years from 1948 to 1953 not less than half, and perhaps two-thirds, of Rs. 131.75 crores described in the Survey of India's Foreign Liabilities and Assets by the Reserve Bank of India was so to speak anchored to supply or related to preclusive investment in the Indian market. It is likely that on net account the private investor who has now been warned off the course was responsible for less than a third. In the net result, however, it is almost certain that the addition of foreign business investment in the next five years will be considerably less than the figure from 1948 to 1953.

To sum up, it is useless to deny that a vast intangible has now been introduced into foreign thinking on investments in India. The conclusion seems to be likely that both existing foreign manufacturing concerns and the private investor will tend to be very hesitant over the next few years. This is likely in practice to involve a loss of more than Rs. 5 to Rs. 10 crores per year, perhaps the full gain of the public sector from additional resources which it can operate on its own. If the question is asked whether this additional freedom of the public sector to operate on 'free' rupee resources of the insurance sector is offset by our loss in foreign capital, the answer surely is strongly in the affirmative. The country has lost more on the swings than the public sector has gained on the roundabouts.

The Future of Life Insurance

THE pros and cons of nationalisation may continue to be argued until the process is completed but no one can reasonably hope that these arguments will influence to any extent the decision that has already been taken. Though the present step is only a preliminary to nationalisation the decision would not be open to revision, however convincing the other side of the case may be. The Government will have to take the good and the bad consequences in its stride and the only thing that can be done at this stage is to guess the answers to the many questions that are being asked about the shape of things to come.

NEW BUSINESS

Will life insurance business increase at a faster rate than hitherto? There is no need to minimise or rule out the possibilities for expansion. Much of the competition that now exists, to acquire the business in some

urban areas and among certain sections of the community, may be eliminated by diverting agents to new areas. New incomes will be generated under the Plan, offering a new field of business; and it has been pointed out elsewhere that tax rebates are providing incentives at certain levels for maintaining the flow of premium income. If to these the Government adds a system of compulsory insurance the position will improve further. There is still vast scope left for increasing the net addition of life business every year if the annual loss, through forfeitures or lapses and decrease of sums assured, which now offsets 60 per cent of the new business attracted every year, should be reduced considerably. There is no particular reason to believe that the nationalised system would find a solution to this problem where the existing insurers have failed in spite of the existence of a large army of canvassers whose personal interests were closely linked with the continuance of

policies. If the lapses only indicate the undesirable results of too much competition in showing increase in business, then it must be assumed that to that extent at least the new business in future years will reflect a reduction. In other words, any reduction of lapses would correspond to a reduction of new business.

FUNDS FOR THE PLAN

The additional results which the State could thus derive for purposes of investment in the public sector assuming an optimistic rate of increase will not be considerable. If the premium income in 1955 was of the order of Rs. 55 crores and expenditure about Rs. 35 crores, part of the net addition to the life fund of about Rs. 20 crores would in any case have flowed into the public sector (to the extent of the minimum of 55 per cent required to be held in Government and approved securities). This percentage was usually larger; and making provisions for loans on policies which cannot be denied, the net additional sum would be about 5 to 6 crores of rupees, which hitherto found its way into the private sector in investments in shares. Even on the assumption that the total annual premium income would grow in five years to the somewhat optimistic level of Rs. 100 crores, it is difficult to foresee an additional availability to the public sector of more than Rs. 50 to 60 crores over the five-year period.

LESS EXPENSE?

It is arguable, however, that under a centralised administration the expenses could be reduced considerably so as to increase the size of the net addition to the life fund every year. Estimates of future trends of expenditure would, however, vary with the degree of faith shown in the working of the public sector. It is probable that the reduction of expenses will be secured not in absolute terms but as a declining percentage of the business secured during a period of expansion. At present, the evidence on the subject gives no ground for optimism. In 1954, for example, the difference between the overall expense ratio (expressed as a percentage of the total premium income) did not show much difference between six leading insurers (who may be regarded as having secured the maximum efficiency due to large-scale operation) and the other insurers; the overall ratio was 29.3 while the ratio after excluding six leading insurers was 29.6. *Prima facie*, this is no basis for expecting much improvement.

The next question relates to the extent to which the private sector in business will be handicapped by nationalisation. It is pointed out above that Rs. 5 or 6 crores now invested in shares will be diverted. There is no particular reason why this diversion should actually take place if the new set-up provides for operating the insurance business through an autonomous or semi-autonomous corporation, with freedom to make investments on the lines of the existing legal provisions. The debenture and preference shares of companies would often give a higher return on investment and it may well be that once the taint of suspicion of personal interest is removed there would be no objection to even larger investments in company shares which yield high returns. It is difficult to probe into the Government's intentions in this matter which alone will decide what restrictions or liberalisations are possible. But nationalisation as such need not rule out the continuance of the present practice of investments in shares in the private sector, and in any case the existing investments cannot be suddenly unloaded in the market.

A different aspect of this holding of shares would be the extent of control which a new nationalised Insurance Corporation or the Government would now acquire in the private companies as a result of the ownership of their shares. In the case of life insurance companies, their individual holdings in any single concern were regulated by the percentages prescribed

in the law for the proportion of a company's capital that could be controlled by the insurer through investment in shares, but now all these investments will be pooled together and it is possible that the State or the Corporation would control a substantial percentage of the share capital of certain favoured companies, if not the majority interest. In the case of debenture and preference shares, which together form a larger proportion of the investment in the private sector, there will be no control; but the ownership of ordinary shares, investments in which have amounted to about Rs. 23 crores, might raise this problem of public ownership of private capital in a new form.

NATIONALISED STRUCTURE AND EMPLOYMENT

The structural pattern of new administration would be the most interesting aspect of nationalisation. A corporation will probably be found to be the most suitable form and since the object is primarily the safeguarding of policyholders' moneys and preventing their use for promoting private self-interest, there is no reason why the Government should not agree to an independent statutory corporation which would also maintain the status quo in many other matters of working in which the national interest is not affected thereby. The existing supply of experts, actuaries and other executive personnel should prove adequate for the new agency. It is probable that the emoluments of some of the very highly paid executives would be affected but that is a part of a larger problem concerning ceilings on income. But at the lower levels too, there is some room for anxiety. Nearly three lakhs of insurance agents are left in a state of uncertainty for the time being about their future prospects because a large percentage may be left redundant under a single system of insurance. Nearly one-third of the licences issued in 1954 were to women, who for the major part might have supplemented the family income. Even in a large number of other cases, insurance was not, perhaps, the sole means of livelihood. It was probably a good stop-gap occupation even at a low level of earning in the absence of other employment. If the reorganisation and rationalisation of staff should involve greater dependence on wholtime personnel, insurance will cease to provide not only supplementary income in many cases, but also any income at all in many cases, and may worsen the position of the educated unemployed.

Finally, the policyholder whose welfare is the object of the present reform, may not get quick answers as to whether his bonus, which attracted him to the better companies, would decline steeply or not, or whether his nominee's claims or loan applications will be promptly settled. It is unlikely that there are illusions on this subject but it may be a consolation to know that when the expenses are reduced, if ever, and when there is no point in loading premia for profits, there will be some hope for the reduction of premium rates which are not now uniform and have lost the basis for the original differentiation, based on the rate of profits and efficient services which the better companies gave. The uniformity in guarantee and service and the reduction of profits and expenses must help to give the policyholder this benefit in rates at an early date; such reduction may also prove the best inducement for the growth of life insurance business in future.

There remains the question of how far life insurance nationalisation can remain separate without forcing on the Government the necessity for nationalisation of non-life business; whether there is an intention to take that step or not, non-life business will not henceforth function with any sense of confidence. Possibly when the next occasion for a reaffirmation of ideology arises, its turn would arrive; but it may well depend upon the success of the present step in the next few years.

Reactions to Nationalisation—A Roundup

By

CROESUS

THE more people begin to think of the implications of nationalised life insurance, the less they seem to like it. This is broadly the impression that I have got after talking to a fairly representative cross-section of the people, including agents, policyholders, shareholders, directors, insurance executives, bankers and business men. There are, of course, those confirmed 'State-ists' who hail the decision as not only right but also well-timed. This, incidentally, is perhaps the only class which sees no wrong even in the undemocratic manner in which insurance is sought to be nationalised—I mean by resort to an ordinance.

An eminent banker whom I interviewed began by saying that, more than the Government, it is the unscrupulous insurance companies that are to blame. He felt that no decent government could give quarter to or tolerate such abuse of trust as has been coming to light almost every day lately. But, when I interrupted him to ask whether, by a stricter enforcement of the insurance law, these instances could not have been minimised, if not avoided altogether, he nodded, and himself instanced the case of banking where today the most rigorous system of inspection prevails which has greatly reduced bank frauds and failures. It was this banker's view too that, had the authorities started enforcing the provisions of the insurance law strictly some five years ago, the need would not have arisen today for nationalising. I thanked him for saying this and thereby confirming what several business men have always held, and still hold, namely that it is not so much the lack of adequate powers of inspection or control under the prevailing law as the loose enforcement, if not non-enforcement of it that has been responsible for letting into the fold of insurance a few undesirable and unscrupulous elements who have given a handle to critics of privately-run insurance. I have always wondered why, before granting licences to persons who wish to start new insurance companies, the authorities responsible do not make thorough enquiries about their social and economic standing and bona fides. Surely, this is the most elementary precaution that the authorities are expected to take. In the case of a sound and well-established bank, for instance, no one is prevented from asking for any amount of accommodation (loan), but the bank will not grant it unless it is absolutely fully satisfied with the party and his creditworthiness. The insurance licensing authorities cannot, therefore, afford to be blind to facts in the beginning and then complain that there are bad elements in the insurance world. Like great men, bad elements, whether in insurance or elsewhere, are born, and seldom develop to be so.

The Chairman of a leading insurance company was most unhappy about the whole episode and he felt very keenly that not all their uprightness and rectitude in running their life insurance business had saved them from sharing the same fate as has since overtaken even unscrupulous and unsound companies. He was also concerned about the fate of those who have spent almost all their lives in the service of a company and have just come to occupy top positions and to receive fairly high salaries. His fear was that, under a State-regime, either their salaries might be cut or they might be asked to retire, which, according to him, would be grossly unfair.

The two other points that this veteran insurance man made were that (i) the shareholder could not hope any more to get the same dividends (if the fantastic

suggestions made from time to time, in the A-I.C.C. Economic Review are straws in the wind!) and, (ii) that the policyholder—if a 'with-profit' policyholder—would not get the high bonus for which he bargained when he chose the company with which he decided to insure. His argument was that, if it is the Union Finance Minister's intention to draw on the profits of life insurance companies to finance the second Five-Year Plan, he cannot do so unless he chooses greatly to reduce, if not deny, to the policyholders their present level of bonuses. In any case, henceforth, it will necessarily have to be a uniform rate of bonus, since all life companies are to be brought under one control. The one selling point of many insurance agents thus ceases to have any appeal.

Talking of uniform bonus rates, I must refer to my interview with a very senior insurance executive of a well-known company who has been transferred overnight into a "custodian". It was simply a case of his rising one fine morning to find himself dubbed thus. I must have asked him the maximum number of questions that a Pressman could dare, but I must say he was patient enough to answer all my questions. I reproduce, to the best of my ability to remember, (I did not start taking down notes for fear of the interview being cut short and losing time in the process in any case) these questions and answers:

Q. Do you think that Government can find enough good and efficient men, even from all the insurance companies put together, to man the Leviathan State-run insurance organisation that is to be?

A. No, there are not enough efficient men for the purpose. They will have to be trained in due course. (This means that, in the initial stages, State-run insurance is bound to suffer).

Q. Would it not be unfair to ask those who have taken the trouble to select sound and well-run insurance companies to insure their lives, in the expectation of efficient service, handsome bonuses, and prompt claim settlements, now to throw their lot with policyholders who have not experienced similar care and have, in consequence, insured their lives with companies which have proved to be of doubtful worth?

A. Yes, it is certainly unfair, but the decision is claimed to be in the interests of the country as a whole. All the same, justice demands that at least up to the time of the promulgation of the—nationalisation—ordinance, the policy-holders are enabled to get the full benefit of their respective policies as per the terms contracted with the companies of their choice. Whatever terms the nationalised insurance scheme has to offer can only apply from the actual date of nationalisation and not with retrospective effect.

Q. Do you feel that settlement of claims would be as prompt after nationalisation as it has been the case all along with respect to some well-established insurance companies some of whom are known to have settled claims even within a week or fortnight?

A. No. when the State takes over any business, it has perforce to lay down certain rules. These are always elaborate and fulfilling them or the attempt to do so takes a lot of time. (In other words—and these are mine—he seemed to convey in so many words that

bureaucracy and redtape are sworn enemies of prompt dealings.)

Q. The A-I.C.C. Economic Review speaks of the shareholder's part of the average annual surplus as the basis of compensation. Is this a proper and practicable approach?

A. Theoretically, it may be all right, but it involves so many cumbersome calculations that the game is really not worth the chase.

Q. Don't you feel that the Government has ensured full response to all its future loans by this measure?

A. Yes, the Government could hereafter ask its newly created insurance department, to subscribe a given amount, whenever it feels the response from the general public to be not quite encouraging, even as it has been making use of the Reserve Bank now for this purpose. But this is not to suggest that insurance companies ever failed to subscribe to Government loans to the maximum extent possible. Indeed, many of them actually hold even today more Government securities in their investment portfolios than they are required to do under the law.

Q. Is it not a fact that the whole position is still obscure, notwithstanding the Ordinance?

A. I am afraid it is. Moreover, fresh and further instructions are coming in which sometimes tend to place the custodians in the position in which they cannot honestly say they are allowed to carry on even the usual routine which they are supposed to be free to do under the Ordinance.

Another insurance executive, who is also a custodian, now admitted nearly all these, but said that, given time and a correct approach, many problems could be straightened out. It is noteworthy that all custodians

seem to make a point of meeting periodically and exchanging notes. I understand that, very soon—may be even before these lines are printed—there will be a conference of all these custodians with Mr. H. M. Patel of the Finance Ministry, when several issues that have arisen out of the nationalisation ordinance and the future pattern of nationalised life insurance will be discussed threadbare.

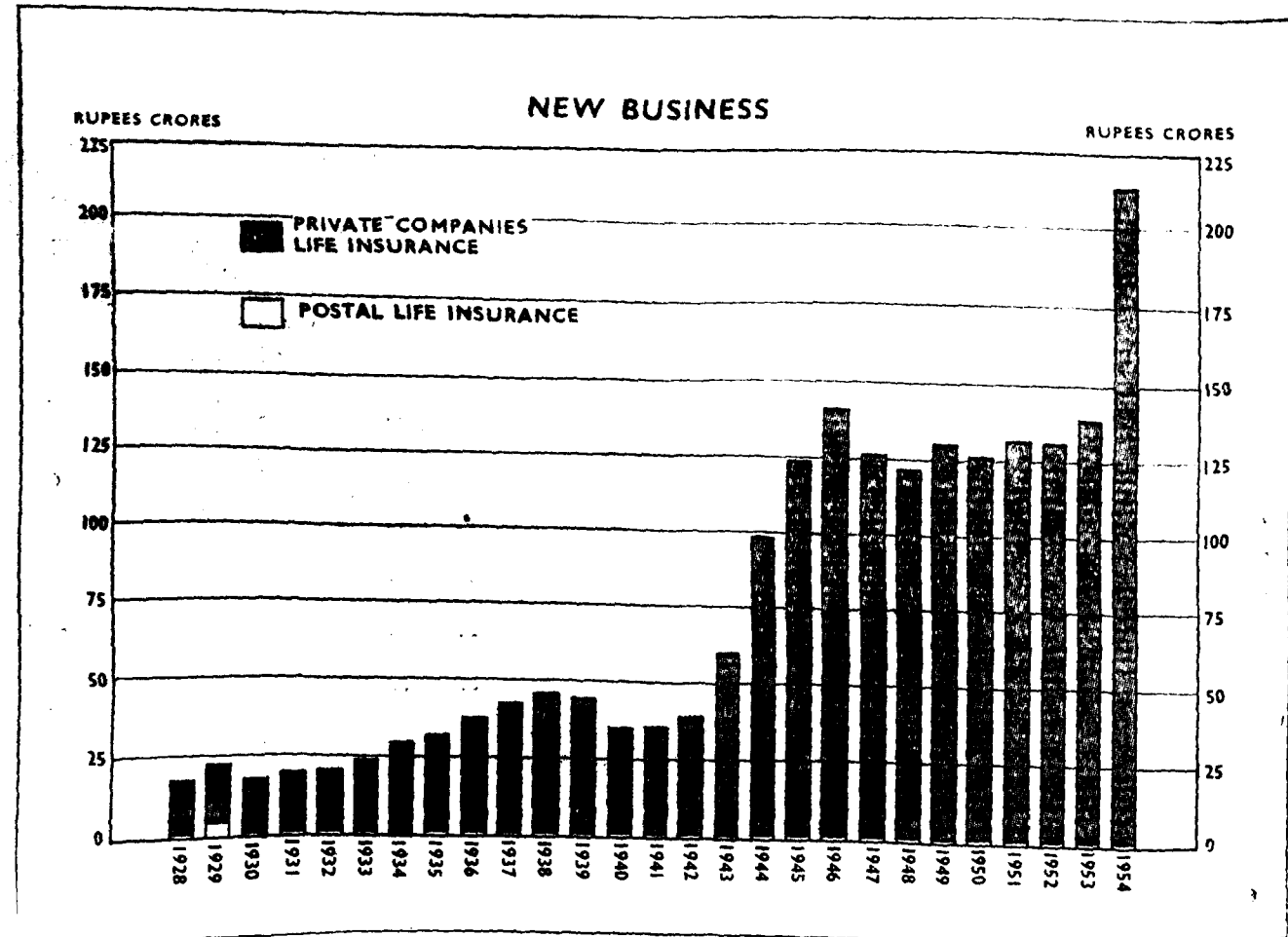
The few policyholders whom I met frankly confessed their failure yet to grasp all the implications of nationalisation. But I learnt from one of them that a retired Government official literally ran to a well-known foreign insurer and demanded the surrender value on his policy. The foreign insurer was rather intrigued. It would appear, but the Government official had his explanation ready. It seems he told the foreign insurer: "I know how long it has taken for me to get my pension. I am not prepared to wait that long. again, to have my insurance claim settled at the hands of Government".

Many shareholders too are in a similar plight. They are unable to ascertain as to when and what compensation they will get. The series of articles in the A-I.C.C. Economic Review has made some of them distinctly pessimistic about the prospects of receiving even the hitherto prevailing rates of return on their holdings.

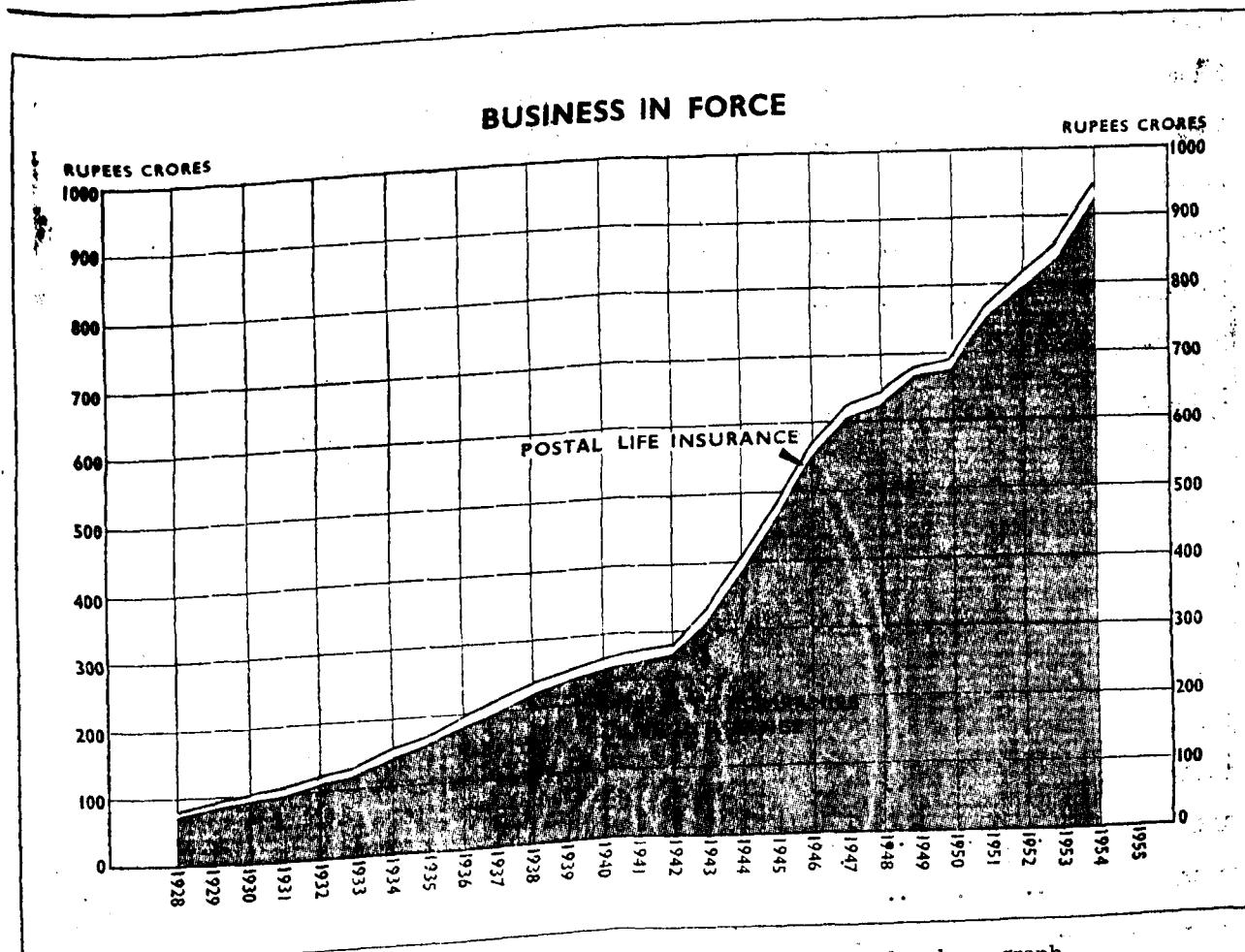
As for investors and business men, the insurance ordinance has perhaps done more to unnerve them than any other single measure of Government so far. They feel that henceforth no sector can be too secure and too distant for coming within the ambit of State control and, what is more, they entertain genuine apprehensions about the quantum of compensation that they may receive in the event of any business being taken over by the Government. Never before in the past two decades or over a generation, as far as I can recall, was the stock market in such jitters as I find it in today.

INSURANCE TRENDS IN INDIA

Year	Indian Life Insurance Companies				Post Office Life Insurance			
	New Business		Business in force		New Business		Business in force	
	Number of policies	Sum insured (Rs. lakhs)	Number of policies	Sum insured (Rs. lakhs)	Number of policies	Sum insured (Rs. lakhs)	Number of policies	Sum insured (Rs. lakhs)
1928	92,724	15.41	412,446	71.11	6,562	1.38	58,586	11.31
1929	106,232	17.29	483,832	81.32	7,582	4.43	64,474	12.49
1930	108,663	16.50	528,324	88.66	8,894	1.50	71,479	13.68
1931	99,437	17.76	517,432	98.02	9,710	1.50	79,058	14.86
1932	115,868	19.66	570,433	106.02	6,482	98	83,165	15.46
1933	157,842	24.83	653,116	118.77	4,215	81	83,726	15.85
1934	186,942	28.92	761,286	136.65	5,292	1.06	87,494	16.52
1935	209,666	32.81	857,246	151.63	4,835	1.04	89,522	17.13
1936	246,682	37.80	1,016,406	174.67	5,489	1.19	92,098	17.87
1937	274,653	41.74	1,146,986	196.74	5,438	1.16	94,588	18.55
1938	311,696	46.68	1,300,869	218.86	4,294	89	95,877	19.36
1939	304,262	45.96	1,402,159	232.42	4,953	96	97,751	19.36
1940	209,101	35.23	1,447,134	243.91	6,353	1.23	100,687	20.00
1941	199,268	36.69	1,504,598	256.43	2,696	48	99,229	19.78
1942	172,814	37.90	1,528,217	266.61	2,732	51	97,613	19.55
1943	238,893	65.23	1,693,081	310.95	1,589	30	99,202	19.85
1944	440,673	98.26	2,009,335	384.88	2,470	52	93,206	18.87
1945	590,009	123.73	2,453,728	462.00	3,165	61	92,960	18.82
1946	611,789	140.90	2,654,845	560.00	3,552	77	92,685	18.87
1947	540,051	126.50	2,791,460	603.00	3,416	77	92,490	18.96
1948	488,100	121.70	2,992,707	621.00	3,722	84	92,781	19.14
1949	550,112	130.00	3,361,032	662.00	4,022	1.03	92,664	19.36
1950	600,012	125.80	3,301,192	671.00	7,439	2.17	95,518	20.62
1951	468,952	131.40	3,393,235	755.00	7,461	1.96	99,056	21.78
1952	516,000	130.30	3,711,000	798.00	8,363	2.27	102,944	23.16
1953	535,000	138.20	3,833,000	833.90	..	..	..	..
1954	683,000	213.30	4,069,000	922.00	..	..	..	..



NOTE: (1) The life insurance business of foreign insurers is not included in the above graph. (2) New business in 1955 is estimated to be 25 to 30 per cent above 1954.



Note: The life insurance business of foreign insurers is not included in the above graph. (2) Total life business in force of all Indian insurers is estimated to have crossed the Rs. 1,000 crore mark in 1955.

NATIONAL INCOME AND LIFE INSURANCE 1951

Country	National Income	Unit and Currency of National Income	National Income in US Million \$	Life Assurance in Force US Million \$	Percentage of Life Assurance to National Income
Argentina	72,310	million pesos	14,462	467	3.2
Australia	3,197	million £ (A)	7,161	3,282	45.7
Belgium	301	thousand million francs	6,020	1,640	27.2
Brazil	2,46.1	thousand million Cruzeiros	12,300	1,555	12.6
Canada	16,552	million dollars	15,224	17,494	114
Chile	145.1	thousand million pesos	4,350	234	5.3
Colombia	6,105	million pesos	3,113	261	8.4
Cuba	1,934	million pesos	1,934	295	15.3
Denmark	20,239	million kroner	2,934	949	32.0
Dominican Republic	372	million pesos	372	25	6.6
Ecuador	6,395	million sucres	383	21	5.7
Finland	612.5	thousand million markka	2,700	541	20.0
France	9,160	thousand million francs	27,480	2,774	10.0
Germany, West	89.9	thousand million D. marks	21,396	4,264	19.9
Guatemala	522.3	million quetzals	522.3	26	5.0
India	99.9	thousand million rupees	20,800	1,650	7.9
Italy	7,888	thousand million lira	12,670	1,132	8.9
Japan	4,535.3	thousand million yen	12,240	1,859	15.2
Mexico	64,800	million pesos	5,148	289	5.6
Netherlands	16,980	million guilders	4,114	2,146	50.9
New Zealand	622.4	million £ (N.Z.)	2,484	1,191	48.0
Norway	15,873	million kroner	2,222	627	28.2
Philippines	6,770	million pesos	3,385	333	9.8
Portugal	45.8	thousand million escudos	1,603	102	6.1
Puerto Rico	859	million US dollars	859	143	16.6
Spain	233.9	thousand million pesetas	20,810	1,099	5.2
Sweden	32,940	million kroner	6,258	2,694	43.0
Switzerland	19,500	million francs	4,485	2,140	48.0
Turkey	10,355	million liras	3,624	46	1.2
UK	12,717	million £	35,607	18,197	51.1
USA	277,000	million dollars	277,000	253,100	91.3

INCOME AND OUTGO IN LIFE INSURANCE (The Income & outgo of Indian and Non-Indian Insurers)

		(Rs. lakhs)	
		1954	1954
		Indian	Non-Indian
(a) Income			
Premium (First Year)	(6,58)	19,32	9,61
Premium (Renewal)	1,50	3,20	37,87
Interest, dividends and rents	26	48	9,11
Other receipts			2,32
TOTAL	8,34	23,00	58,91
(b) Outgo			
Claims by death	1,29	2,67	4,21
Claims by maturity	1,27	3,41	10,06
Annuities	1	8	13
Surrender value	28	63	2,30
Expenses of management	2,06	6,03	13,91
Depreciation and transfer to investment reserves etc.,	8	16	67
Miscellaneous	17	7	8
Transfer to shareholders' reserve and dividend	8	4	34
TOTAL	5,24	13,01	31,70

* Includes Pakistan and non-Indian figures.

MATURITY DISTRIBUTION OF INVESTMENTS (On December 31, 1954)

		(Rs. Thousands)	
		Indian Insurers*	Non-Indian Insurers
		Amount	Percentage
Years of Maturity			
a. 1955-59	11,87,52	6.8	6,56,42
b. 1960-64	64,38,90	37.1	14,06,03
c. 1965-69	39,79,31	22.9	7,51,66
d. 1970-74	2,48,51	1.4	66,69
e. 1975-79	22,14,75	12.7	1,56,54
f. 1980-84	51,11	0.3	28,65
g. 1985-89	37,44	0.2	76
h. 1990-94	35,09	0.2	4,62
i. 1995-99	31,89,74	18.4	7,76
j. Irredeemable	1,73,82,37	100.0	30,79,13
TOTAL			100.0

* Information not available in respect of 4 Indian insurers. Certain shares, which are approved securities have not been shown in the above table.

		TOTAL BUSINESS (Amount of life insurance business in force in India at the end of the year)		NEW BUSINESS (Amount of the total new life insurance business during the year)	
		(Rs. crores)		(Rs. crores)	
		Sum Insured and Bonuses	Total	Year	Sum Insured
		Indian Insurers	Non-Indian Insurers		Indian Insurers
1945	..	462	95	1945	..
1946	..	550	101	1946	..
1947	..	603	103	1947	..
1948	..	621	103	1948	..
1949	..	662	103	1949	..
1950	..	671	109	1950	..
1951	..	755	118	1951	..
1952	..	796	126	1952	..
1953	..	833	133	1953	..
1954	..	922*	137*	1954	..

* Figures incomplete.

NET POSITION OF BRANCHES OF FOREIGN INSURANCE COMPANIES OPERATING IN INDIA (AS ON DECEMBER 31, 1953) (In thousands of rupees)

COUNTRY	LIFE			NON-LIFE			TOTAL		
	India's Liabilities	India's Assets	Net Position	India's Liabilities	India's Assets	Net Position	India's Liabilities	India's Assets	Net Position
Australia ..	..	..	..	10,99	12,11	-1,12	10,99	12,11	-1,12
Canada ..	15,89,60	18,03,20	-2,13,60	15,18	7,24	+ 7,94	16,04,78	18,10,44	-2,05,66
Malaya ..	..	..	..	32	81	-49	32	81	-49
New Zealand ..	..	..	..	38,09	47,18	-9,09	38,09	47,18	-9,09
Pakistan ..	2,34,88	1,83,11	+ 51,77	..	..	..	2,34,88	1,83,11	+ 51,77
Switzerland ..	65,02	64,18	+ 84	12,10	6,61	+ 5,49	77,12	70,79	+ 6,33
United Kingdom ..	22,65,98	27,37,15	-4,72,07	4,31,88	4,42,40	-10,52	26,98,96	31,79,55	-4,82,59
United States ..	..	..	..	60,97	47,10	+ 13,87	60,97	47,10	+ 13,87
Other Countries ..	22,10	16,37	+ 5,73	50,44	37,20	+ 13,24	72,54	53,57	+ 18,97
Total ..	41,76,68	48,04,01	-6,27,03	6,19,97	6,00,65	+ 19,32	47,96,65	53,04,66	-6,08,01

+ Net Foreign Liabilities. - Net Foreign Assets.
N. B.—India's liabilities represent the value of the assets owned in India by the branches of Foreign Insurance Companies operating in India. Similarly India's assets represent the liabilities of these concerns to 'persons' resident in India.

PARTICULARS OF FOREIGN LIABILITIES OF INDIAN INSURANCE COMPANIES (AS ON DECEMBER 31, 1953) (In thousands of rupees)

COUNTRY	CON- TROLLED	PORTFOLIO @					LIFE			NON-LIFE				Other Liabilities	GRAND TOTAL
		Ordinary Shares	Ordinary Shares	Preference Shares	Deferred Shares	Total	Cash Surrender value of Life Insurance	Present worth of Annuities	Total	Fire	Marine	Others	Total		
Non-Life (Equity value)	Life (Equity Value)	Non-Life (Equity Value)	Non-Life	Non-Life											
Australia ..	..	1	2	..	..	3	1,55	1,35	2,90	1,91	37	..	2,28	..	5 21
Burma ..	..	29	1	..	..	30	1,12,56	38	1,12,96	5,93	1,18	3,42	10,53	..	1,23,79
Canada ..	..	..	2	..	..	4	3	..	3	76	1	2,69	3,36	..	3,43
Ceylon ..	..	61	80	..	..	1,41	3,99,95	..	3,99,97	2,77	1,38	5,01	9,16	..	4,10,54
Germany ..	..	..	..	..	..	..	1	..	1	..	..	..	..	..	1
Japan ..	..	..	..	..	..	..	2	..	2	..	87	..	89	..	91
Malaya ..	..	12	8	..	..	20	2,68,56	6	2,68,62	1,19	3,42	1,29	5,90	..	2,74,72
New Zealand ..	..	..	3	..	..	3	49	29	77	..	..	..	..	..	80
Pakistan ..	..	6,98	1,22	10	3	8,33	5,21 58	1,04	5,22,62	16,04	7,61	3,53	27,18	..	5,58,13
Switzerland ..	..	2	..	..	..	2	2	..	2	3,09	6	..	3,15	6,47	9,66
United Kingdom ..	31,12	1,05	14,34	1	..	46,52	22,03	17,76	39,79	20,79	37,48	83	68,10	..	1,54,41
United States ..	..	2	29	..	..	31	54	29	83	17	2	..	19	..	1,33
Other Countries ..	..	6,37	4,30	1	..	10,68	4,98,71	1,22	4,99,93	26,22	27,16	31,07	84,45	..	5,95,06
Total ..	31,12	15,47	21,11	14	3	67,67	18,26,06	22,41	18,48,47	87,89	79,56	47,74	2,15,19	6,47	21,88,00

@ As reported by the insurance companies as owned abroad according to their books.

TOTAL VALUE OF SHARES AND DEBENTURES OF FOREIGN COMPANIES OWNED BY INDIAN INSURANCE COMPANIES (AS ON DECEMBER 31, 1953) (In thousands of rupees)

Country	Ordinary Shares	Pref. Shares	Debentures
United Kingdom ..	83,97	4,53	29,50
Ceylon ..	5,94	88	..
Pakistan ..	7,14	16	14,39
Australia ..	..	35	..
Other Countries ..	82	7,93	1,28
Total ..	67,87	13,55	45,17

* Included in Other countries

FOREIGN SECURITIES OWNED BY INDIAN INSURANCE COMPANIES (AS ON DECEMBER 31, 1953) (In thousands of rupees)

Country	Securities		Total
	Govt.	Quasi-Govt.	
Australia ..	27,43	..	27,43
Burma ..	21,25	9,83	31,08
Canada ..	11,25	..	11,25
Ceylon ..	1,58,94	..	1,58,94
Malaya ..	17,43	11,95	29,38
New Zealand ..	42	..	42
Pakistan ..	1,47,99	55,05	2,03,04
United Kingdom ..	1,24,80	..	1,24,80
Other Countries ..	55,43	4,47	59,90
Total ..	5,64,94	81,30	6,46,24

AMOUNT OF LIFE INSURANCE FUNDS, PAID-UP CAPITAL AND TOTAL ASSETS OF INDIAN INSURERS (In Thousands of Rupees)

	1948	1949	1950	1951	1952	1953	1954
Liabilities							
Life Insurance Funds ..	1,50,50,18	1,73,19,13	1,81,47,51	2,10,92,12	2,31,86,98	2,57,04,89	2,77,84,02
Other Insurance Funds ..	6,25,25	6,71,34	7,00,91	9,23,65	9,47,12	9,89,51	10,31,39
Paid-up Capital ..	9,77,45*	9,57,75*	9,94,67*	12,01,40*	11,85,65*	10,80,93	10,70,60
Total ..	1,66,52,88	1,89,48,22	1,98,43,09	2,32,17,17	3,53,19,75	2,77,74,43	2,98,86,01
Assets							
Mortgages on property in India ..	4,40,75	6,02,53	7,68,01	10,91,21	13,27,22	14,61,96	15,56,16
Loans on policies within their surrender values ..	8,15,99	10,65,23	12,17,41	15,82,26	19,73,88	23,50,52	26,62,13
Loans on stock and Shares, etc. ..	32,11	78,38	57,63	25,75	23,78	21,68	15,55
Other Loans ..	1,57,86	1,08,80	1,02,50	1,85,47	1,85,07	1,85,87	1,97,84
Indian Government Securities ..	1,05,81,22	1,13,45,63	1,12,74,30	1,27,97,78	1,22,08,56	1,27,94,71	1,31,06,21
Securities of Part A States ..	..	..	..	..	12,62,77	19,06,80	19,46,45
Securities of Part B States ..	1,16,86	2,71,15	4,68,30	1,67,69	3,80,33	3,35,44	4,37,61
Port Trust, Improvement and Municipal Security etc. ..	9,97,63	10,96,47	10,96,98	14,89,93	17,67,39	18,80,46	18,41,86
Debentures of Indian Companies etc. ..	..	..	..	..	13,15,35	14,69,69	20,76,48
Preference Shares of Indian Companies etc. ..	24,46,21*	30,21,85**	33,20,11**	39,10,50**	10,90,49	11,29,86	11,94,71
Ordinary Shares of Indian Companies etc. ..	6,63,53	8,76,86	9,59,08	13,47,84	15,20,15	17,58,20	22,74,38
Land & House property ..	..	..	..	..	..	..	..
British, Colonial and Foreign Government Securities ..	2,82,38	3,54,82	3,87,37	4,73,16	5,59,29	5,83,39	5,79,15
Agent's Balance, outstanding Premiums and outstanding Interest, etc. ..	10,00,59	11,05,56	11,01,92	14,63,72	14,61,80	15,54,64	16,10,14
Accrued Interest ..	93,36	1,07,05	1,10,44	1,39,91	1,51,28	1,67,00	1,77,17
Deposit, Cash and Stamp ..	10,19,47	11,44,30	12,22,03	16,85,60	17,38,94	16,86,70	20,28,34
Miscellaneous Assets ..	5,84,18	6,76,77	6,06,19	7,33,55	7,04,44	6,94,25	7,02,36
Capital Expenditure							
Preliminary & organization expenses, deficits, etc. ..	55,47	54,25	51,08	1,15,85	92,08	94,68	1,32,01†
TOTAL ..	1,93,11,66	2,19,09,35	2,27,46,95	2,72,00,22	2,95,36,67	3,20,69,58	3,41,97,95

*Including Debentures **Holding Indian Companies Co-operative Securities etc.
†Including Rs. 48.31 lakhs of Contra entry.

POST OFFICE INSURANCE FUND ACCOUNT: LIFE AND ENDOWMENT (In thousands of rupees)

Particulars	1948-49	1949-50	1950-51	1951-52	1952-53
RECEIPTS:-					
Funds at the beginning of year ..	11,60,66	11,79,38	11,84,44	11,82,39	11,87,11
Premia realised ..	66,66	72,85	76,05	85,54	92,55
Loans recovered ..	..	17	2,73	5,60	8,61
Fines realised ..	3	3	2	2	2
Medical fees realised ..	..	..	1	1	1
Reserve values of Converted policies ..	5	3	13	8	6
Interest on Balance ..	40,60	40,22	40,13	39,97	40,23
TOTAL ..	12,68,01	12,92,73	13,03,52	13,13,60	13,28,60
PAYMENTS:-					
Claims paid ..	83,29	89,71	95,99	96,59	98,38
Surrender value paid ..	6,44	7,01	7,73	7,98	8,02
Establishment and other charges (including medical fees, etc.) ..	6,93	9,13	10,51	11,89	12,56
Loans advanced ..	..	3,41	9,88	10,05	18,35
Refunds ..	48	50	62	51	65
Reserve values of converted policies ..	5	8	13	8	6
Funds at the end of year ..	11,70,83	11,82,39	11,78,65	11,86,49	11,90,58
TOTAL ..	12,68,02	12,92,73	13,03,52	13,13,60	13,28,60

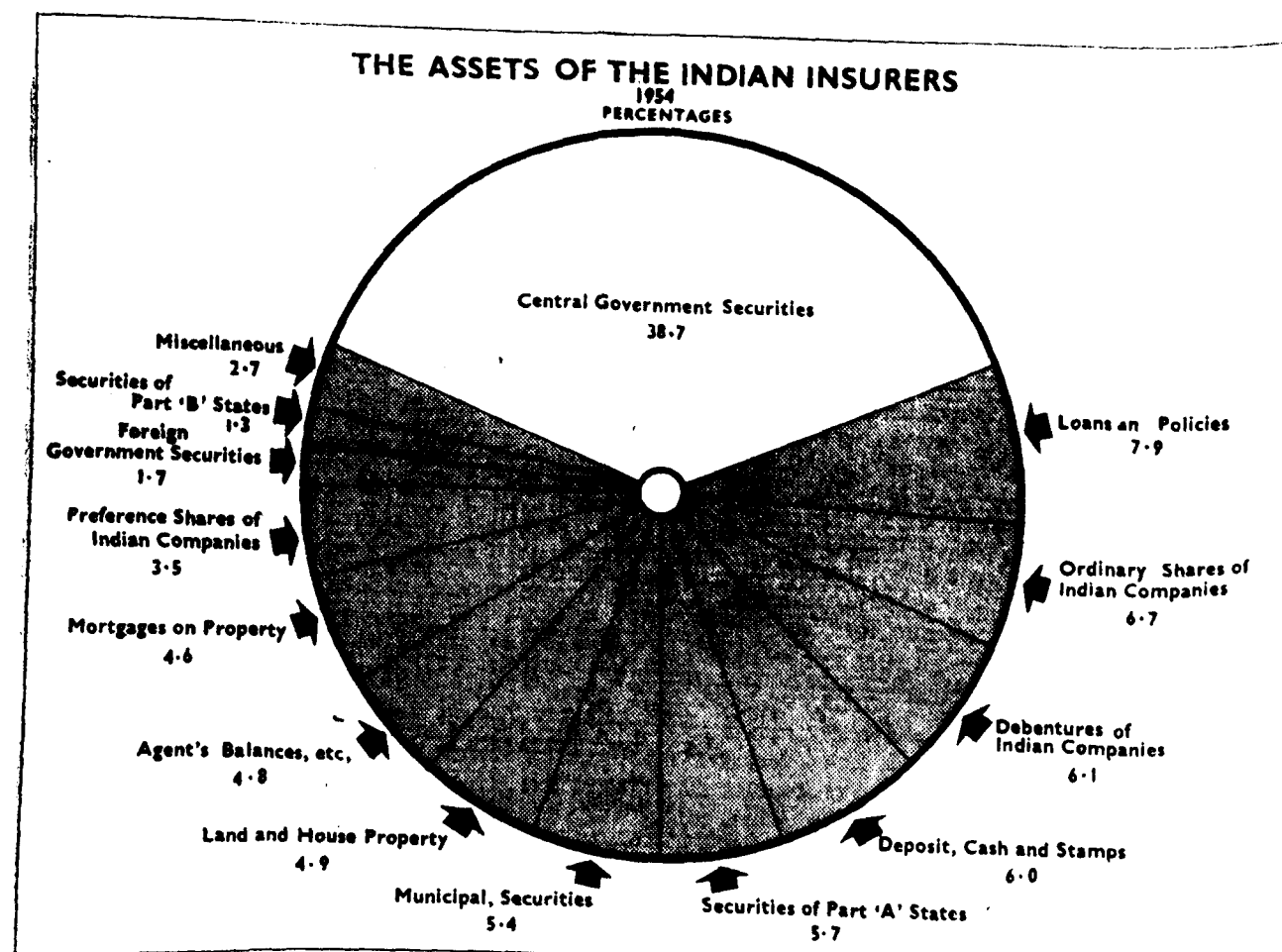
Note: — Nil .. Less than Rs. 500.

DISTRIBUTION OF ASSETS OF THE INDIAN INSURERS

(On December 31,)

(Rs. Lakhs)

Particulars	1952		1953		1954	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Central Government Securities	1,22,47	41.7	1,27,95	40.2	1,31,06	38.7
Securities of Part 'A' States	12,67	4.3	19,07	6.0	19,46	5.7
Securities of Part 'B' States	3,80	1.3	3,35	1.0	4,37	1.3
British, Colonial and Foreign Government Securities	5,60	1.9	5,83	1.8	5,79	1.7
Municipal, Port Trust and Improvement Trust Securities	17,73	6.0	18,80	5.9	18,42	5.4
Mortgages on Property	13,29	4.5	14,62	4.6	15,56	4.6
Loans on Policies	19,78	6.8	23,51	7.4	26,62	7.9
Loans on Stocks and Shares	24	0.1	22	0.1	16	..
Other Loans	1,88	0.6	1,86	0.6	1,98	0.6
Debentures of Indian Companies etc.	13,15	4.5	14,70	4.6	20,77	6.1
Preference Shares of Indian Companies etc.	10,90	3.7	11,30	3.6	11,95	3.5
Ordinary Shares of Indian Companies, etc.	17,76	6.1	19,94	6.3	22,75	6.7
Land and House Property	15,31	5.2	17,58	5.5	16,59	4.9
Agent's Balances, Outstanding Premiums, Interest, etc.	14,81	5.0	15,55	4.9	16,10	4.8
Deposit, Cash and Stamps	17,43	5.9	16,87	5.3	20,29	6.0
Miscellaneous	7,09	2.4	6,94	2.2	7,02	2.1
TOTAL	2,93,91*	100.0	3,18,09*	100.0	3,38,89*	100.0



THE EASTERN ECONOMIST BLUE SUPPLEMENTS

VOL. I NO. 9.

MARCH 30, 1956.

SINGLE COPY AS. 8.

Overseas Shipping and Inland Water Transport

CONTENTS

Shipping in the Plan	i	Labour Problems in Inland Water Transport ..	x
Need for a Tanker Fleet for India by C. H. Bhabha	iii	Progress of Shipbuilding Industry	xii
Coastal Shipping in India	vi	Ports and Harbours	xiii
Shipping Companies: Position and Prospects	viii	Notes on Shipping	xiv
The Importance of Inland Water Transport	ix	Statistics	xv

Shipping in the Plan

GEOGRAPHY and history have both been favourable to India's development as an important maritime nation in the world. Our long coast-line contains many places suitable for the establishment of good ports and harbours; and coastal districts have produced sea-faring communities to whom adventure across the oceans has been a part of their tradition. Indian history provides abundant evidence of this sea-faring tradition even in the distant past. The code of practice laid down in Kautilya's Arthashastra (Book II Chapter 28) for the Superintendent of ships may still be applicable to our modern Directorate-General of Shipping. In the course of subsequent history Indian ships and sailors have ventured far in the adjacent seas, up to the Persian Gulf on the West and the islands of the Indonesian Archipelago on the East. Why then, with this respectable and creditable record in the past, should India be so poorly placed in relation to the rest of the world in the development of shipping?

Our total tonnage today is slightly less than 1 per cent of the world's total and India's own overseas trade is carried on, except to the extent of 5 per cent, in foreign ships. It is in the context of this position of inferiority that one has to view the development that

has taken place so far and the proposals being made for the immediate future. A similar line of thought influenced the Shipping Policy Committee of 1947 in laying down a target of 2 million tons to be reached in 5 to 7 years, and considering the achievements of some of the war-damaged countries, which have built up their fleets almost from scratch since the end of the war, that target was not, perhaps, an over-ambitious one. And yet we find ourselves today with a total tonnage of only 480,000 G.R.T., which falls short by 120,000 G.R.T. of the comparatively low target set for the first Five-Year Plan. It may be difficult to find any single explanation for this low achievement; possibly the major factor has been the lack of ambitious planning.

If so, this is a continuing defect, as in the second Five-Year Plan also the same conservatism has been perpetuated. On the assumption that the shortfall of 120,000 G.R.T. in the first Plan's target will be made up in the course of the next financial year the second Plan provides for an increase of the tonnage by 300,000 G.R.T., through an outlay of Rs. 55 crores, of which Rs. 10 crores are expected to be provided by the private sector. It is, of course, necessary that there should be

no unrealistic planning which does not take into account the resources available and the possibilities of deliveries by the world's manufacturers of ships during the next five years. But even as a realistic proposition the Shipowners' Consultative Committee had recommended a higher target of 445,000 G.R.T. at an expenditure of Rs. 80 crores, which would have raised the total tonnage to slightly over a million tons by 1961. Even the achievement of this higher target would have enabled Indian tonnage to carry a further 10 per cent of the adjacent trade and an additional 15 per cent of the overseas trade. The substitution of a lower target will therefore further cut the contribution of Indian shipping, particularly in the overseas trade, reducing thereby our invisible earnings of foreign exchange.

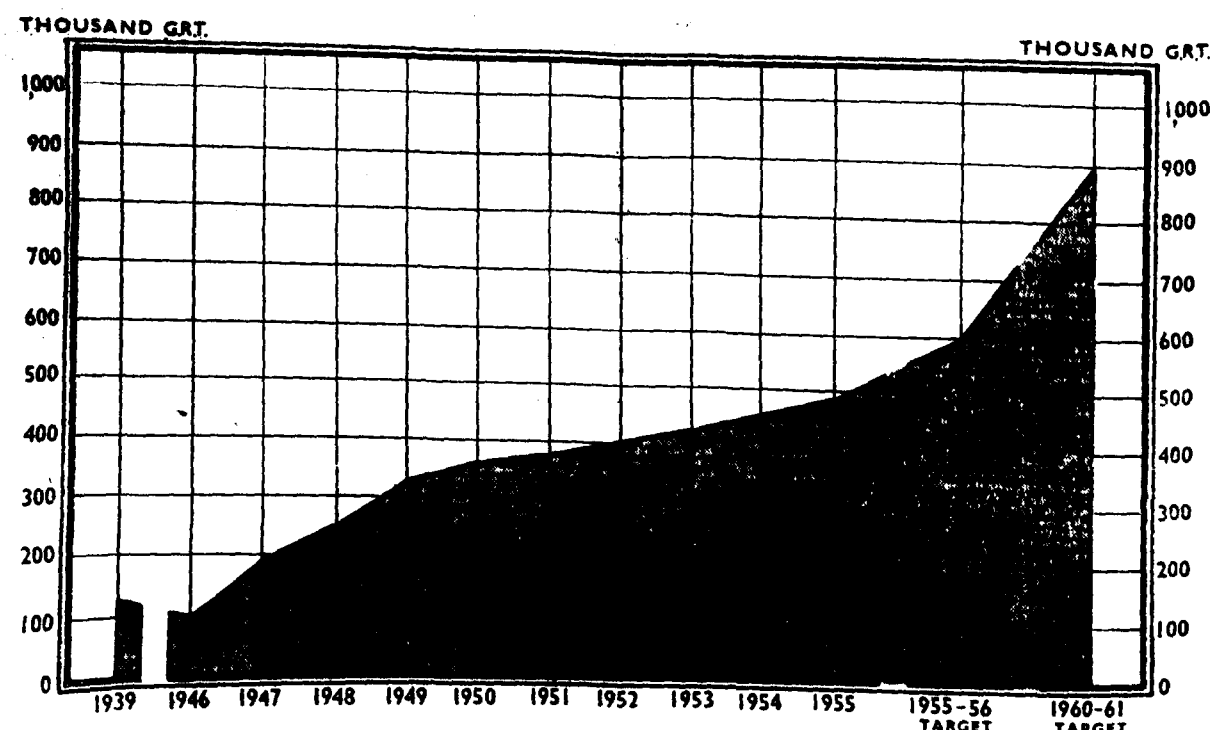
The reduction by the Planning Commission of the outlay on shipping is, therefore, very regrettable but it has been offset in part by the Transport Minister's assurance that if the proposed outlay is spent during the first three years of the second Plan it would be possible to consider the question of a larger appropriation. It must, however, be remembered that shipping is not a matter on which there can be such piecemeal planning for the reason that construction of ships, either by the enlargement of our own yards or by placing orders with foreign manufacturers, takes a long time. Indeed, there is a strong case for arguing that a plan for expansion of Indian shipping tonnage should cover a period of about 10 years, even though for purposes of five-yearly planning it has to be broken up into two parts.

From the point of view of the outlay in the public sector, the first Five-Year Plan showed a successful achievement of the modest target of expenditure of Rs. 19 crores, which was subsequently raised to Rs. 26 crores. The outlay in the next five years on shipping, as on other things, is a mere doubling of this outlay. The provision of Rs. 10 crores for the private sector does not take full account of what this sector has contributed already. In the pre-plan period up to 1951, shipowners had provided about Rs. 22 crores in acquir-

ing tonnage of nearly 300,000 G.R.T. and in the first Plan period, they had supplemented the Government's assistance of Rs. 20 crores by finding from their own resources finance to the extent of Rs. 18 crores. Considering that out of a total investment of Rs. 60 crores since the end of the war the private sector's share is as much as two-thirds, what the public sector now seeks to do for this strategic industry, during a period of bold planning, is not indeed a matter for pride. Prima facie, it may be argued that the gap here between the ambitions of the Ministry and the allocations of the Planning Commission is less than that of the Railways. The difference, however, lies in the vast disparity between the development of our railways, on the one hand, and of shipping on the other. India has to catch up with at least some of the smaller maritime States like Argentina, Brazil or Turkey and this has to be done in time before the world's fast expanding tonnage makes the position of other carriers in the world absolutely secure and established.

The case for a larger provision for shipping may rest also on other grounds of more immediate importance. It has been estimated that approximately Rs. 5½ crores are being earned by Indian shipping engaged in the overseas trade. If the acquisition of 445,000 G.R.T. as suggested by the Shipowners' Consultative Committee is accepted, increasing the share of Indian shipping in our total overseas trade to at least 20 per cent, it would increase our earnings of foreign exchange by about Rs. 15 crores a year for a total investment of Rs. 80 crores. Deducting that portion of the investment which would be diverted to the Indian shipyards, it is possible to say that the additional foreign exchange requirements for the purchase of larger tonnage might be reimbursed, strictly in terms of earnings of foreign exchange alone, in a period of about 5 to 6 years. This is in itself an important consideration, which should minimise some of the difficulties of investment in shipping which have weighed strongly with the Planning Commission. It is necessary that every effort should be made to get over the difficulties, real and imagined, which have prevented more ambitious planning.

PROGRESS OF INDIAN SHIPPING TONNAGE



Need for a Tanker Fleet for India

By C. H. BHABHA

(Chairman, Eastern Shipping Corporation)

THE need and importance of building up rapidly and successfully a tanker fleet for India has, in recent months, been sufficiently explained and does not require any further emphasis or repetition. Tankers are essential for national economy, vital for national safety and indispensable for national prestige. Till 1950, the expansion of Indian merchant shipping meant the addition of cargo and passenger ships to the Indian fleet. The President of the Indian National Steamship Owners' Association, drawing the pointed attention of the Government, early in 1951, remarked that "although India imports thousands of tons of oil every year, she does not have a single tanker which she can call her own". He recalled the statement of Sardar Vallabhbhai as to how the inability of the oil companies to supply sufficient tankers for our purpose had led to the oil crisis in India in the near past. He strongly urged the need for India owning immediately a fleet of at least a few tankers and appealed to the Government to help the Indian shipowners in keeping the tankers fully employed. The Planning Commission also laid emphasis, in their Report for the first Five-Year Plan, on the need for building up a tanker fleet for India. It has, therefore, now been recognised throughout the country that there can be no future merchant navy for India unless a suitable and adequate fleet of tankers forms an integral part of that navy.

It is, therefore, quite incidental that this problem should have come into special limelight with the functioning of the two oil refineries in India. It must not, however, be thought and should not, however, be felt that the question of building up a tanker fleet for India was either overlooked or not urged upon the Government by the national opinion in the country. Soon after India attained independence, the then Ministry of Works, Power and Mines, under which the Petroleum Division of the Government of India was functioning, was trying to explore in vain, to ascertain the components of the prices at which oil and oil products were being sold in the country through a few monopolistic organisations. The freight which the tankers charged for the carriage of oil and oil products was not only an unknown and undiscovered mystery at that time but it has also remained unsolved and unravelled even today.

With the fundamental change in the progressive policy of the country for the development of its mineral resources, the Oil Policy has also to be revised and revitalized. The natural demand of the nation for the rapid, effective, and full development of the oil resources of the country, must be met not only for the country's economy, but also for its stability and safety. The first step, which the Government, therefore, have taken, was to negotiate with the British and the American interests for establishing oil refineries in Bombay. Two refineries have already been functioning in Bombay. The third is expected to function at Vishakhapatnam from 1957 or 1958. It has not, however, to be forgotten that the oil to be refined has to be imported from foreign lands. According to such statistics as are available, imports of oil products into India rose from 776 millions of imperial gallons in 1949-50 to 978 millions of imperial gallons in 1953-54. There has thus been a rise of 40 per cent in this traffic in five years. As the demand for refined oil products is likely to witness a considerable rise in the near future, in view of the industrialization of the country, the foreign exchange that the country would need for paying the imports of

oil is bound to witness a steep rise. It is, therefore, a matter of satisfaction that steps are vigorously taken for the discovery of oil in the country, in co-operation with oil experts, even at a cost of several crores of rupees.

The value of oil and oil products imported in 1954-1955 came to Rs. 72 crores. It is difficult to ascertain the amount of freight that must have been paid to the tankers which brought these products. It may, however, be roughly estimated at Rs. 17 crores per annum. What a saving it would be to the foreign exchange of the country, if all such oil and oil products or at least a very substantial portion of the same, could be imported by Indian tankers? At a time, when the problem of finding foreign exchange, for the projects mentioned in the second Five-Year Plan, has been causing serious concern to the Planning Commission, it is almost amazing as to why they have not been using their powerful influence for enabling Indian tankers to bring oil from abroad and thus make a substantial contribution to their pool of foreign exchange, which they urgently need.

The refined products of the two refineries at Bombay have begun to move round the coast of India in foreign tankers. It is estimated that the volume of the refined products which thus move is likely to exceed a million and a half tons per annum. It is well known that our coastal trade has been reserved to national ships since August, 1950. It is, therefore, an irony of fate that the oil refineries should be allowed to move the refined products in tankers flying foreign flags round the coast of India. Not only is it an unjustifiable violation of the policy of reservation, but it ignores also completely the demand, despite assurances, which the Indian shipowners have repeatedly made upon the Government of India to help them in the building up of a tanker fleet for the country.

Broadly speaking, about 3 million tons of cargoes were carried in dry cargo ships in the coastal trade of India in 1955. This excludes the carriage of refined oil products. If we were to include the volume of refined products, which may reach up to two million tons when the third refinery begins to function, it will be apparent that out of 5 million tons of cargoes to be carried round the coast, 2 million tons will be carried in ships of foreign flags, or nearly 40 per cent of the total cargoes carried. Can anyone, having a sense of fairness and justice, characterise this humiliating position as one in consonance with the policy of the reservation of the coastal trade of India? It will not be possible for the Government even to offer the apology that Indian tankers were not available and they could not have, therefore, any alternative but to allow the refined products to be carried in tankers of foreign flags. That will be ignoring the demand of the country which had been made long before the Government signed their agreements with the Oil Companies.

While I appreciate the recent gesture of allowing one tanker owned by an Indian shipping company to carry the refined products of the refineries, on a time-charter basis of the tanker, in response to the universal demand in the country for the movement of refined products round the coast in tankers of Indian flag, it is high time that the Government should take courage in both hands and rapidly and effectively implement their own policy of reservation by arriving at such an arrange-

ment with the oil refineries that all the refined products shall be carried, from a particular date, only in tankers owned, controlled and managed by the nationals of the country. This is the least that the State owes to the public for the country's economy, stability and safety.

Nearly 4 million tons of crude oil will be imported into India for refinement in the three refineries which have been or will be established in the country. These refineries are bound to expand their activities with the rapidly rising demand of refined products in the country. More and more oil will, therefore, have to be imported into India in the future. It is, therefore, of fundamental importance that oil, which is the life and soul of economic existence and national safety in the modern world, should be made available to all industries and to all consumers at as favourable a price as possible. One has merely to study carefully the prices of oil products prevailing in other economically developed countries of the world to realise fully the serious disadvantages to which we are put owing to the comparatively higher prices of these refined products obtaining in India. One is at a loss to understand how and why this essential commodity should be available at cheaper rates in countries situated at a greater distance from the sources of supply than the sub-continent of India. No doubt, there may be many and varying factors which enter into the formation of prices of oil and oil products. Nevertheless, it cannot be denied that the freight element on oil and oil products constitutes an important element of the price structure. It is recognised all over the world that the nation which imports the oil or the oil products has an inherent right to participate in the carriage of these huge quantities which are imported year after year. Apart, however, from the contribution to the foreign exchange of the country, as mentioned above, by the carriage of oil and oil products in Indian tankers and apart from providing training and giving employment to the nationals of the country, on the Indian tankers, which would carry such cargo, it is a matter not only of fundamental importance, but also of life and death, that considerations both of safety and strategy make it incumbent on India to build up rapidly a suitable and sizable tanker fleet for this country. Even with our peaceful policy, with our friendly relations and with the best of our efforts, it may, unfortunately, become difficult for India to continue to secure sufficient quantities of crude oil to keep the refineries going. It may be that the resources of oil which we may discover in India, may not be able to feed the refineries to the extent that it may be necessary to meet the situation that will develop. To meet effectively the situation, which such circumstances may create and which may hold the country at ransom in the pursuit of its peaceful policy for co-existence and economic regeneration, it is vital that an adequate tanker fleet must be rapidly built up, which could provide the only answer to such a challenge and serve also as an important and powerful instrument for the defence of the country.

It would perhaps be worth while to say a few words in this context about our policy of coastal reservation. The long cherished aspiration to carry all our coastal trade by ships flying the Indian Flag has at least now been fulfilled. Not only have all the doubts, expressed by interested and biased quarters about our capacity and wisdom to implement this policy of coastal reservation, which was announced within a short time after attaining independence, been set at rest, but it has also considerably helped the cause of industrialisation and created a new opportunity for employment for the nationals of the country. The long struggle of the nation for securing this elementary right, the baulking efforts of the then bureaucracy with the pull and sabotaging efforts by the foreign vested commercial interests, are all matters of past history. In order, however, to

remove some incoherent thoughts still existing in some quarters, which yet aspire to fight the unholy and dishonest last ditch battle, it may be made clear once for all that the policy announced by the Government is that from September 1, 1951, no ship which is not owned, controlled and managed by the nationals of the country, shall be granted a licence to ply in the coastal trade of India.

This policy has now established firmly and finally the inherent right of Indians—so far denied to them—to carry all cargoes moving on the coast-line of India in national ships. Without an iota of doubt, it can be stated for the benefit of all concerned, that whatever expansion may take place in the quantity of cargoes to be moved in the coastal trade will have to be carried, as a matter of right, only by ships flying the Indian Flag. With the recognition of this valuable right of Indian shipping, it has also imposed new obligations and responsibilities on Indian shipowners. Can it then ever be imagined that this noble and just national right be fulfilled if a non-Indian Flag vessel is allowed to carry any of our coastal cargoes? Will it ever be possible, either through legislation or by moral pressure, to compel such non-Indian Flag vessels to carry out certain fundamental obligations and responsibilities towards the Indian nation in times of peace as well as in times of war? What guarantees can be sought from or penalties imposed on non-Indian tonnage for the non-fulfilment of such fundamental duties, even if such non-Indian tonnage was permitted to move our coastal cargoes for a short period? Any person, who is conversant and familiar with the past history and struggle of Indian shipping, will ever, by any stretch of imagination, think otherwise than on insisting to make our coastal reservation an absolute fact in every respect both in name and in deed.

Some of the provisions embodied in the agreements made with the Oil Refinery Companies are often thrown into our face and advanced as special pleas for denying the Indian Flag to carry the refined products on the coast of India. To my mind, such efforts can at best be called futile exercises in polemics. We may here quote the relevant clause which is embodied in the agreements with the Anglo-Saxon Petroleum Company Limited and Burnah Oil Company Limited, for the establishment of Oil Refineries at Bombay:

"Tankers, regardless of flag, importing crude oil or products for the refinery for marketing operations in India, will be permitted to lift products from the refinery for delivery to other ports in India. If, in future, the Government or any shipping corporation in which the Government own the majority of the voting shares shall acquire one or more petroleum tankers of a size economically suitable for use in the Oil Companies' business, the Oil Companies, subject to their then existing charter commitments will enter into discussions with the Government with a view to utilisation of a reasonable number of such tankers".

No reasonable and fair-minded person will or can fail to understand the implications of such a clause. Besides, can it ever be imagined or argued that any agreement, however special or peculiar, can abolish the fundamental principles embodied in any policy statement announced by the Government of the country? Another significant feature, which is somehow forgotten, is that the statement of national policy in this matter was announced long before the agreement with the Oil Companies was considered or concluded. Should not then the fundamental and the broad principles of national policy, already publicly announced, govern all contracts or all arrangements of whatsoever nature, that may be made after such announcements? Were

not the contracting parties aware of the announcement of this national policy and the rights conferred by it on the nationals of the country, when their agreements were concluded? Surely, a little deep thinking, with sincerity of heart and clarity of mind, will or can never lead to any misunderstanding or to the advancement of any argument against the inherent right of the Indian people to build up a tanker fleet for India and to carry all oil and refined products only in such tankers round the coast of this country.

The Tanker Industry is of vital and strategic importance to every maritime country which wishes to execute its programme of economic prosperity and national safety commensurate and consistent with its rightful place in the world. India cannot and should not be an exception to this recognised policy governing the activities of all important maritime countries.

I wonder whether it is widely known that the tanker fleet in the world is now making more rapid progress than the growth of the dry cargo vessels. The total tonnage of the world, as in July 1955, consisted of 32,492 ships of 190,565,779 G.R.T. Out of this, 3,575 of 26,454,641 G.R.T., vessels, of an aggregate tonnage of 26,454,641 G.R.T., consisted of tankers. In other words, 26 per cent of the tonnage of the world consists today of tankers. It we take into consideration the number and tonnage of tankers and dry cargo vessels that were launched in the world during the year 1955, we will find that out of a total number of 1,447 vessels with an aggregate tonnage of 5,316,742 G.R.T., launched in the world in 1955, 217 with an aggregate tonnage of 2,436,642 G.R.T. consisted of tankers. This would come to more than 40 per cent of the total tonnage launched in the world. In other words, although the percentage of the tanker tonnage to the world tonnage today is only 26 per cent, the tankers under construction represent 40 per cent. It is the opinion in knowledgeable and responsible quarters that the total tanker tonnage in the world is likely to exceed 45 per cent of the total world tonnage during the next five years. This is also warranted by the fact that while the total quantity of oil and oil products carried in tankers throughout the world, in 1950, came to 269 million tons, it shot up to 321 million tons in 1952. The figures that I have quoted will no doubt, emphasize the importance of the tanker fleet for a maritime country both now and in the future.

It will also be of great interest to note that the following seven countries own today a tanker fleet exceeding a million tons:

1. Great Britain and Northern Ireland	764	5,261,265	G.R.T.
2. America	520	4,321,425	"
3. Norway	448	4,172,631	"
4. Liberia	176	2,355,513	"
5. Panama	199	2,133,980	"
6. Italy	165	1,209,735	"
7. France	129	1,152,419	"

It may be pertinent to ask where does India stand today so far as the nucleus of a tanker fleet is concerned? Till yesterday, she did not possess a single tanker. Private enterprise has bought this year one tanker of about 8,000 G.R.T. One can only hope that we shall not be content by saying that "Yes, India has one tanker", but we shall do our best to ensure that all efforts will be put forth both by the Government and the shipowners to build up rapidly a substantial fleet of tankers owned, controlled and managed by the people of India.

The demand for building up rapidly a nucleus of a substantial tanker fleet for India receives special support from the fact that comparatively small coun-

tries like Liberia, Panama and Norway, with less volume of trade of their own, with comparatively a smaller number of ports and possessing no oil resources, own today, as stated above, over two to four million tons of tanker tonnage. It is, therefore, of vital importance and supreme urgency that India, whose requirements of oil and oil products have been rapidly increasing and will still witness a further rise in the future and which possesses large hidden oil resources, should lose now no further time in building up a large fleet of tankers as an integral part of the merchant navy of the country. At a time, when large shipping companies like the P. and O. with years of experience and useful service in the cargo and passenger trades, have decided to build up a substantial fleet of tankers instead of confining themselves to their age-long business of carrying goods and passengers, it becomes the bounden duty of India to go in, both for the country's economy and safety, for acquiring and owning a tanker fleet of her own commensurate with her needs and worthy of her position in the maritime world.

As I have stated above, India, would be importing about 4 million tons of crude oil as soon as the third refinery begins to function at Vishakapatnam. At present, not a single ton of this huge quantity is carried by any Indian tanker. Shri Lal Bahadur Shastri, Minister for Transport, stated in Bombay, in November 1954, that

"The Government of India would try to use their good offices in finding full employment for any privately owned tanker in the coastal trade of India, and, if such tankers are suitable, for the overseas trade, in utilizing them for the importation of crude oil from abroad."

No action has, unfortunately, been taken in this direction as yet. It will be agreed that if assurances are given by Ministers, on behalf of the Government, they should be followed by satisfactory performances. The Transport Ministry, it is a matter of great regret, has not said anything in several of its recent pronouncements about the steps that they may have taken or propose to take to enable Indian shipowners to bring crude oil from abroad to India in the tankers owned by the sons of the soil. It may be that the mystery surrounding the ownership of a sizable portion of the world's tanker fleet may be coming in their way. Many explanations are given about that mystery. The important aspect which naturally draws the pointed attention of a student of this question of complicated tanker business is the intimate and intricate connection and interlockings between the ownership of tankers and the world's large Oil Groups, who are only the biggest customers for tankers. Behind this mystery, the veil of which has not been lifted, it may be possible to create many manipulations, promote many possibilities and arrive at many new arrangements. Normally, neither will India be concerned, nor will she be interested to delve into these hidden skies for the expansion of her shipping tonnage, of which a substantial fleet of tankers will form an integral part. Nevertheless, if India's needs, rights and aspirations are not allowed to be fulfilled in this direction, but are hampered and checked in a variety of ways, India will not fail to explore and adopt such ways and means as may be necessary for unravelling the hidden mysteries of interconnections between Oil Corporations and Tanker Ownership and thereby make an effective arrangement which may ensure a steady flow of oil to this vast sub-continent, for strengthening her expanding economy, in Indian tankers at equitable and economic rates for the country's future progress and prosperity.

Allow me to conclude by appealing both to the Government and to the public to adopt a realistic and

patriotic approach towards the building up rapidly of a sizable tanker fleet, as an integral part of the merchant navy of the future. The building up of a substantial size and strength of the navy of supply for India, including tankers, cargo ships and passenger vessels, will prove of immense benefit and help towards the realisation of the great hopes and aspirations of mankind to

build up a real Welfare State, particularly in the under-developed regions of the world. Any such contribution to the uplift of human beings will, in its turn, prove of immense help towards the realisation of the goal of world peace, progress and prosperity, in building up finally a better and happier universe free from fear and want.

Coastal Shipping in India

VERY little is heard these days about the importance of coastal shipping in India, though during the years of British rule the question of reservation of coastal shipping for Indian companies provided a frequent topic of heated debate in the Indian Legislature. It is true that the reservation has now become an accomplished fact. Of slightly less than 25,000 G.R.T. of foreign ships engaged in the coastal trade in 1950, only a third remained in 1951 and since 1952 the coastal trade has been completely under Indian control. In this sense the subject has ceased to be controversial. But the development of coastal shipping has not been up to our expectations and the last year appears to have been the worst in recent times in respect of utilization of the coastal lines for the movement of cargo. The fact that it has synchronised with a period during which the railways also have felt difficulty in carrying all the traffic that has been offering itself shows that there has been some lack of co-ordination of our transport capacity. The benefits of a policy of expansion of the coastal carrying trade are obvious. For any country such trade offers a nursery for the growth of a merchant navy; much more so to a country with a long coastline like India. It is, of course, difficult to separate this aspect from the overseas trade in which there is ampler scope for Indian ships to participate. But the growth of our transport needs during this period of the second Five-Year Plan and the possible lack of capacity on the Indian railways makes it urgent for us to treat the coastal trade as a valuable supplement to the transport system and incidentally to build-up a strategic enterprise.

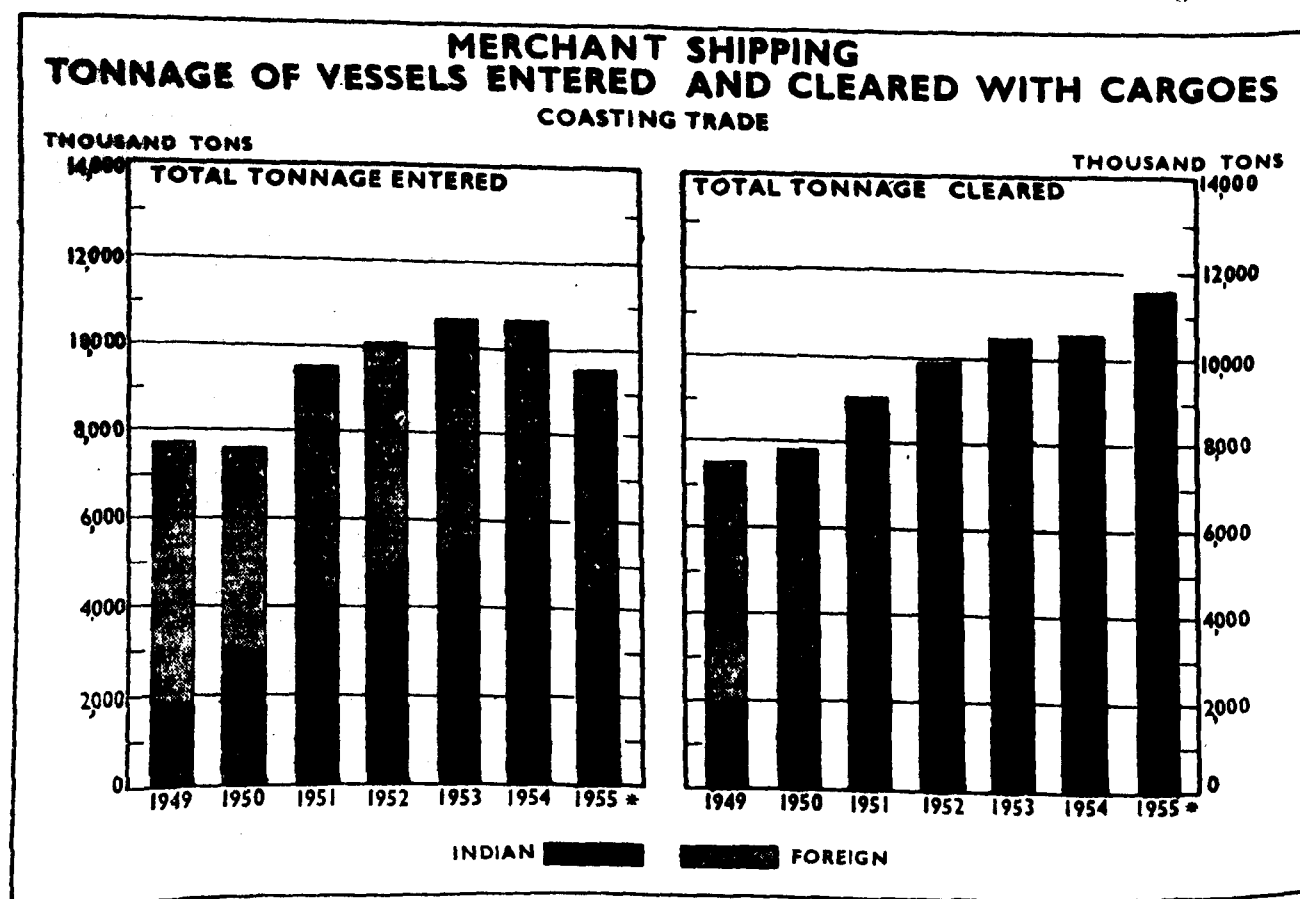
TOTAL TONNAGE EMPLOYED IN COASTAL CARGO TRAFFIC

(1950—1955)

Year	Tonnage Indian Owned	Tonnage Chartered (Foreign)	Tonnage Total G.R.T.	Total Cargo Carried D.W.T.
1950	201,959	47,063	24,390	273,412
1951	217,202	6,938	7,541	231,681
1952	255,119	67,237	Nil	322,356
1953	257,217	22,926	Nil	280,143
1954	286,912	44,151	Nil	331,063
1955	(Est.) N.A.	N.A.	Nil	255,000
				2,800,000

N.A. Not available.

During the first Five-Year Plan about Rs. 8 crores have been given by way of assistance to the shipping companies for the expansion of the coastal fleet at concessional rate of interest. It was a modest provision and all along there was hope that the second Five-Year Plan would be able to provide more ambitious targets. A Study Group set up by the Consultative Committee of Shipowners has come to the conclusion that the requirements of coastal trade alone would need a total tonnage of 400,000 G.R.T. Small though it is, the present experience of the shipping companies engaged in that trade is not such as to make them hope for a larger business, unless certain steps are taken towards co-ordination of movements of goods traffic



* Estimated.

between the railways and shipping companies. The principal commodities concerned are coal and salt in which there is a cross movement between Calcutta and the South. Normally, it should be easy to plan direct traffic from ports to other ports without difficulty and if possible to reserve much of it to the coastal trade. It has been the complaint of shipping companies that the existing freight structure of railways is such as to make it less costly to use railways than ships; the handling charges and the payments of port dues often add to the cost of coastal movement making it less attractive to use the ships. It is also observed that since the decontrol of food, the grain trade finds it cheaper to use the all-rail-route, whereas the Government was able to utilise the rail-cum-sea-route in certain sections; the congestion of traffic passing through Bezwada is due partly to this shift. The whole question has, therefore, to be reviewed with a view to making the shipping companies maintain and expand their traffic and the fact that Government has also an interest because of the loans advanced for building up tonnage must be an additional reason for an early examination. From the point of view of employment also, particularly of men in the Southern coastal States where industrialization is not large, an expansion of the coastal trade can make a substantial contribution. A maximum return from the proposed outlay on minor and major ports can also be secured by such development.

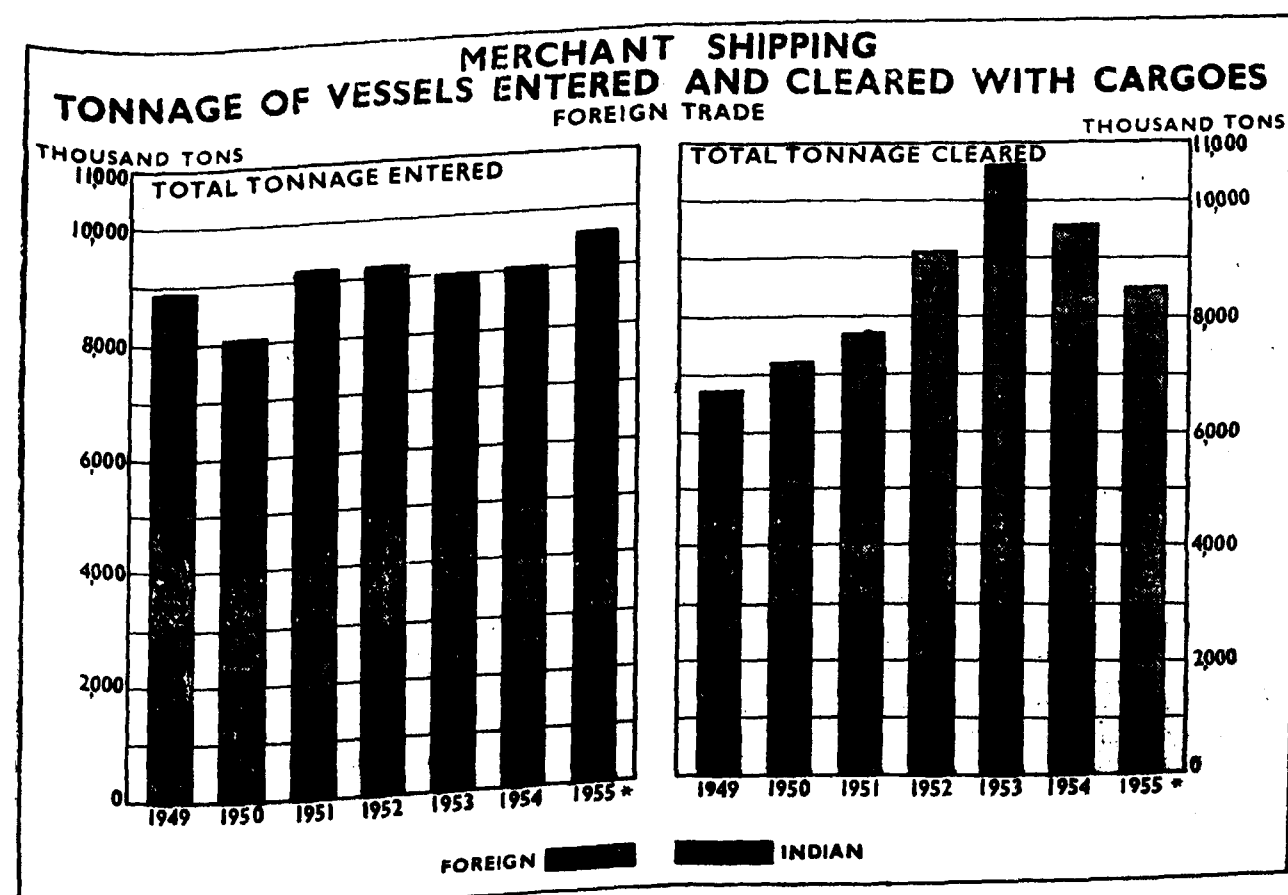
The remedies to the present difficulties have to be sought in many ways. Firstly, the railways have to provide for a larger carriage of their coal requirements by the coastal routes, besides forgoing some of the other commercial traffic. While the ultimate decision as to the use of either of the two routes in the case of commercial traffic should rest with the user who must be given free choice, incentives must lean towards a greater utilization of shipping capacity. The investigations on these matters have now taken a slow course. The report of the Study Group on transport planning made the suggestion some time ago that ship-

owners should specify the rates below which it would be clearly uneconomical for them to carry coal on the basis of a certain assured minimum of shiploads per month. The railways were simultaneously asked to study the actual cost of transport of coal and of salt. It is considered that in the case of salt the rates at present give an unnecessary measure of subsidy which does not go to the benefit of the consumer. These questions call for certain adjustments of freight rates in order to effect a more rational distribution of traffic between the two systems of transport.

An important adjunct of the coastal trade are the sailing vessels, which also ply on overseas routes. The cargo lifted in recent years by these vessels are shown below.

Year	Tons
1951-52	869,272
1952-53	811,529
1953-54	925,515
1954-55	1,499,276

The freight per ton on these sailing vessels ranges from Rs. 6 to Rs. 45 per ton, but taking an average of Rs. 15 per ton, it is estimated that the earnings would amount to about Rs. 2.24 crores, or about one-sixth of the earnings of the coastal shipping companies. In view of their importance, the question of advancing loans to the owners of these sailing vessels to enable them to effect mechanisation has been under consideration, though no provision was made in the first Five-Year Plan. In the second Five-Year Plan it is proposed to provide Rs. 40 lakhs for assistance by way of loans or subsidies and three offices have been set up in Bombay, Tuticorin and Masulipatam to organise the industry. The proposed legislation on Indian merchant shipping is expected to contain provisions for such organisation. It is clear that there is a sound base for expansion; the numbers of sea-faring men available and the experience of transport possibilities are great assets but they can be wasted if steps taken are halting.



* Estimated.

Shipping Companies: Position and Prospects

THE financial and organizational structure of Indian Shipping Companies does not have a definite pattern because the companies vary greatly in size according to the tonnage employed by them. There are about five leading companies, which together own nearly 80 per cent of the total tonnage and about 25 other companies which share the rest. All the companies owned about 126 ships on January 31 this year, with a total of 484,553 G.R.T. and their distribution as between coastal and overseas trades is shown in the table below:

INDIAN-OWNED TONNAGE

(On 31-1-1956)

Company	Coastal Trade		Overseas Trade	
	No. of Ships	G.R.T.	No. of Ships	G.R.T.
Scindia Steam Navigation	25	102,434	15	100,158
Indian Steamship Co.	1	2,124	10	73,248
Bharat Line Ltd.	11	54,665	3	9,861
Eastern Shipping Co.	—	—	6	42,293
Great Eastern Shipping	7	31,386	—	—
Other Companies (25)	48	58,886	—	—
	92	258,993	34	225,560

TOTAL G.R.T. 484,553

It will be seen that the Scindia Company accounts for nearly 40 per cent of the tonnage, with an almost even distribution between the coastal and overseas services, whereas the other companies concentrate their services either on the coastal or overseas trade. The Bharat Line and Great Eastern Shipping carry much of the coastal traffic, while India Steamship and Eastern Shipping take part in the overseas trade. The minor shipping companies are all engaged mainly in the coastal lines.

The financial structure of these companies varies, the Scindias with a capital of Rs. 9.4 crores and reserves

of nearly Rs. 8 crores being the largest. The total paid-up capital of these companies would not, however, give a complete indication, because of the assistance by way of loans which they have received from the Government; but the fact that they have been able in the last 10 years to invest as much as Rs. 40 crores in acquiring shipping tonnage besides Government's assistance of Rs. 20 crores shows that the companies on the whole have operated from great strength. At the end of the war, India owned only 42 ships of 98,286 G.R.T. and a net addition of 55 ships with an aggregate G.R.T. of 287,943 was made by 1951, at a cost to the companies of Rs. 22 crores, after replacing about 44,000 G.R.T. In the first Five-Year Plan period, obsolescence was larger and the addition was smaller, but the cost of shipping had increased by then so as to make even the smaller addition a costly matter, involving Rs. 38 crores, of which half was found by the Government.

It is thus obvious that Indian shipowners have played an active part in building up a merchant navy and have thus qualified for the assistance they received. They have recently ventured even to buy a tanker, the first of its kind in India at a cost of Rs. 85 lakhs. In view of the vast scope available for Indian shipping in our foreign trade, the setting up of the Eastern Shipping Corporation by the Government with a majority interest and the proposal for a second Shipping Corporation would not seriously affect the scope for private enterprise in this matter. The fears of nationalisation have been somewhat allayed in recent years, though the greater reliance on Government loans has led to the fear that the occasion for lending may be turned into an opportunity for the Government to acquire a part of the equity capital of companies. The statement in the Draft Outline of the Five-Year Plan to this effect is not indeed an encouraging factor but considering that the shipping policy of all the important maritime countries where such aid was given in the national interest, has been otherwise, there is no reason why shipping in India also should not be regarded as an exception

March 30, 1956

even if the rule of equity participation suggested in the Draft Outline should get accepted in principle.

Shipping companies have been encouraged by recent statements of the Minister for Transport offering assistance and support in the purchase of ships, the carriage of Government cargo in overseas trade and in securing participation in the important conference lines from which Indian shipping is still excluded. Hitherto the priority to be accorded to the Hindustan Shipyard in the matter of placing orders for new tonnage had involved the companies in certain amount of locking up finances in advance, when deliveries became delayed because of the Shipyard's difficulties. Satisfactory adjustments have now been made by way of release of a total tonnage of a lakh of tons even when its capacity increases to four ships a year. During the second Plan period only 10 more new orders are required and there should be no difficulty in allowing companies to place orders for the balance of their requirements abroad.

For half the total tonnage which is now employed in the coastal trade a major problem has been the freight structure which is kept to the disadvantage of the companies on the basis of comparative rail freight rates. Their demand for an increase in the freight rates by 10 per cent has not been fully accepted but even the Government's acceptance of a 5 per cent increase has been helpful, as an interim gesture till the receipt of a report of the Rail-Sea Co-ordination Committee. There is a real shortage of tonnage in the coastal trade, with the result that the Government's

declared policy of elimination of chartered vessels in coastal traffic with effect from April last year has not become feasible. At present about 46,500 DWT has been chartered by the Indian Shipping Companies for both trades but since the reservation policy in coastal traffic implies the exclusion of foreign flag ships, the purchase of about 25 ships to fill the gap has been considered necessary and until it materialises shipowners have been allowed to charter temporarily one vessel against each building order.

Among the other major problems of the shipping industry the rate of replacement of over-aged ships has been an important one because the cost of replacement would be several times the original value of the ships to be replaced. The suggestion recently made by the Chairman of the Eastern Shipping Corporation that a complete tax exemption may be granted to the shipping companies for a period of five years to help them to raise their own finances for replacement would, therefore, deserve the most favourable consideration. Most of the companies have recently experienced a decline in earnings and profits particularly because of the difficulties of the coastal trade mentioned above and the rise in the costs of stevedoring, transhipment and chartered rates. The rise has been due mainly to labour difficulties in the ports which may be expected to be more favourable in future because of the imaginative manner in which they have been tackled by the Vastist Enquiry Committee and the Government. In foreign lines also the British dock strike last year gave an unfavourable turn-round rate but the position is better now. Thus the fortunes of the Indian shipping companies have been mixed, but the dominant feeling at the present time is that they have turned the corner and can look forward to brighter prospects hereafter.

The Importance of Inland Water Transport

(CONTRIBUTED)

FEW people realise the extent, utility and importance of the natural waterways in North East India which find an outlet through the Delta and Sunderbuns area into the Bay of Bengal.

Inland waterways have always played an important role in the transport system of India and have helped considerably in the development of its trade and industries. This has been more particularly the case in North East India where there are some 4,000 miles of navigable waterways of various sizes within the boundaries of India and of which some 2,000 miles are navigable by large river vessels.

INDUSTRIAL DEVELOPMENT ASSISTED BY I.W.T.

The growth of powered water transport in North East India is linked directly with the development of major industries in that part of the country. It was water transport which, in the early stages, carried the labour, machinery and equipment for the tea gardens and jute presses which were being opened up in the Assam, Sylhet and Cachar Valleys and in East Bengal about one hundred years ago. It is the same water transport which today brings down approximately 90 per cent of Assam's tea crop and about 85 per cent of the jute crop, to the warehouses and mills on the banks of the Hooghli and for distribution to world markets abroad through the port of Calcutta.

DECREASE OF I.W.T. IN THE GANGA VALLEY

In Uttar Pradesh and Bihar it was with the aid of inland water transport that the indigo, sugar and grains trade of these provinces was developed in the

early stages. The expansion of the railways at a later stage on both banks of the river Ganga has, to a large extent, replaced inland water transport in distributing and conveying the produce of the Ganga Valley.

It was this extensive development and expansion of the railways in Bihar and Uttar Pradesh coupled with the widespread increase in irrigation during the latter half of the nineteenth century, when considerable volumes of water were taken out of the rivers, thereby reducing the flow, particularly during the dry season, which eventually has resulted in the consequent deterioration of navigable channels with extremely unfavourable river conditions and adverse freight rates, for continued existence of powered river transport in these provinces.

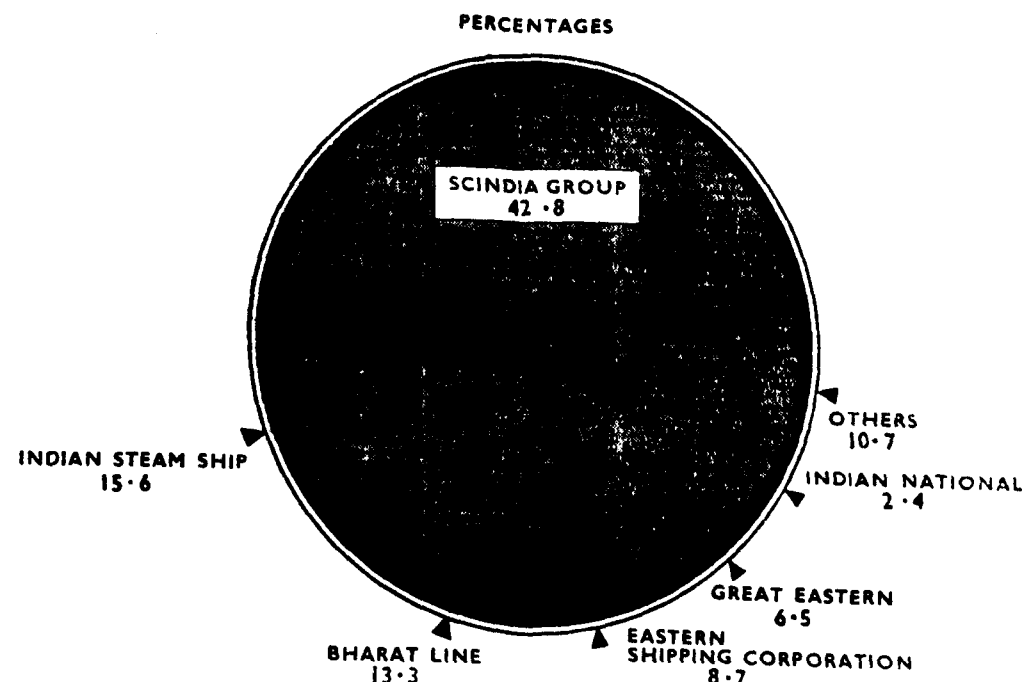
REASONS FOR CO-ORDINATING TRANSPORT

There were several reasons why all this was permitted to take place, but the lack of a co-ordinating authority to maintain the waterways, provide navigation facilities and to combine the available water, rail and road transport facilities, has been the greatest single factor which has impeded the development of India's magnificent waterways and restrained the proper progress of powered inland water transportation in India today.

IMPORTANCE OF I.W.T. TO ASSAM

In the North East corner of India, however, powered inland water transport still plays an ever-increasing important role in the development of trade and industries of the Brahmaputra Valley, Cachar and Tripura.

PERCENTAGE DISTRIBUTION OF THE INDIAN FLEET AMONGST THE SHIPOWNERS



This part of the country includes areas of North Bengal, Dooars, Assam and Cachar which are liable to annual severe flooding when rail, road and air transport facilities are completely disrupted. In these areas the advantages of water transport are fully appreciated in their ability to operate and keep the trade routes open when all other modes of transport are at a standstill.

The full importance of inland water transport to the north east corner of India may be gauged by a study of the following figures which give tonnages of major commodities conveyed between Calcutta and Assam during 1955 by one of the major inland water transport operating concerns alone.

Tonnage Carried by River to and from Calcutta and Assam

Year	Cargo	From Calcutta to Brahmaputra Valley	From Calcutta to Cachar Valley and Tripura	Totals
		Tons	Tons	Tons
1955	General	387,000	74,200	461,200

Year	Cargo	From Brahmaputra Valley to Calcutta	From Cachar Valley and Tripura to Calcutta	Totals
		Tons	Tons	Tons
1955	Tea	155,100	20,500	175,600
1955	Jute	32,900	1,200	34,100
1955	General	69	21,500	21,569
	TOTALS	307,000	43,200	350,200
	Grand Totals	694,000	117,400	811,400

ADVANTAGE OF I.W.T.

One of the main advantages which water transport possesses is the ability, on a direct mileage comparison, to convey large tonnages of cargoes over great distances more cheaply than is possible by road and rail transport. A further great advantage and one of particular interest to Assam is the ability to send by water transport heavy lifts, machinery, and length of heavy pipe section to areas where new industries are being developed, the transport of which could not be conveniently catered for by road or by rail.

With the industrial development envisaged in India during the second Five-Year Plan, it is clearly, now more than ever, apparent that all modes of transport should be co-ordinated and given equal advantages if the country's needs are to be served in such a way that its development will be unrestricted.

Labour Problems in Inland Water Transport

(CONTRIBUTED)

THE Joint Steamer Companies, the largest inland water transport organisation in India, have more than usually complex labour problems. Operating as they do in West Bengal, Assam and Bihar they employ widely differing categories of staff totalling approximately 12,000 persons, more than half of whom from the crews and in-charge ranks of their vessels. In addition there are clerical staff at the Calcutta Ghats

BASIC REQUIREMENTS FOR DEVELOPMENT

The basic requirements for the development of Inland Water Transport are river control and co-ordination. In the extensively developed countries of Western Europe and the USA where Inland Water Transport has become of national importance, the appreciation of these problems has been complete. Considerable expenditure of public funds on the development of water transport in these countries has resulted in a major measure of co-ordination to prevent unnecessary competition between river, rail and road transport.

Together with this co-ordination is the need for maximum possible freedom from national and provincial controls. This aspect has received recognition and suitable compromises have been introduced to the advantage of countries in other parts of the world. An excellent example of such co-ordination is the case of the continental countries bordering on the Rhine, where the Central Rhine Commission has made it possible for the complete development of an efficient and vast inland water transport industry within recent times. Similar and speedy development of inland water transport facilities has occurred on the vast inland waterways of the USA where the transport lift by water during the last decade has been quadrupled.

DEVELOPMENT ENVISAGED DURING FIVE-YEAR PLAN

These newly developed inland water transport systems have been to the undoubted advantage of the countries concerned and India is to be congratulated in appreciating the importance of this fact and in planning for the improvement of their own inland waterways within the second Five-Year Plan period. These plans envisage the importance of improving navigable channels with the aid of dredging and river training, the development of port facilities at a number of important river stations, and rail river junctions, the introduction of mechanical aids to navigation, the development of a system of radio telephony to assist communications on the river, the recognition of the necessity to establish facilities at border control stations and the provision of additional and modern facilities at non-tidal berths for inland water transport vessels in the port of Calcutta.

The inland water transport operators have themselves appreciated the need for modernising their fleet. During the past twenty years modern technical achievements and developments have made it possible considerably to cheapen the facilities for transport by air, rail, road and water. This movement has been apparent all over the Western hemisphere and in the USA and inland transport operators in India are now investigating the extent to which these modern developments elsewhere can be applied to powered transport on India's waterways.

New techniques of operation are also being studied and in the near future it should be possible to introduce these new developments on India's inland water transport system and thus help the producer in transporting his finished products by water to areas where it is most urgently required.

and up-country Agencies, Durwans and Watch & War Staff, Pilotage Staff in Bihar, Assam and Cachar and handling labour at all the main Assam stations.

Many of these employees have different conditions of work and terms of service due to the diverse nature of the duties they perform. They come from different parts of the country, have different political affiliations and belong to several different trade unions.

The most numerous single category is the Floating Staff. Before Partition the Joint Steamer Companies' vessels were manned exclusively by men from East Bengal who have generations of sea faring and riverine tradition behind them. The advent of Partition introduced a complication, as they automatically became foreigners in so far as Indian registered vessels were concerned. Much thought has been given by the Joint Steamer Companies to the problem of replacing these men by Indian Nationals.

The principal difficulty has been to find suitable Indian masters, serangs and engine drivers to command the ships and to look after their machinery. All the in-charge ranks, or Certificated Ranks, as they are called have risen from the ranks of lascars or coal trimmer, having served the requisite period laid down by the Inland Steamer Vessels' Act. There have been virtually no Indian Nationals with the qualifications required under the law to take command of inland steamer vessels.

This was the first problem. The second was the question of crews. Until September 1955 the system of employment in force in the Joint Steamer Companies was for the master, serang or driver to recruit his own men, usually relations or people known to him from his home village or district. In the absence of qualified Indian Certificated Ranks, there was no means of recruiting Indian deck or engine room ratings in the majority of cases. During the past few years, however, the Joint Steamer Companies have been successful in obtaining the services of a few Indian Nationals as serangs and drivers on small launches.

In January, 1956, the Joint Steamer Companies in consultation with the Government of West Bengal, have started a training ship for both deck and engine room ratings and Certificated Ranks of Indian Nationality. The latter are being given higher training to fit them for command of larger vessels, having served previously on small launches. The ratings are supplied by the West Bengal Inland Water Transport Training Centre. In the meantime the method of recruiting crews was altered.

In September, 1955, the Companies agreed to give direct—but not permanent—employment to their ratings. They now maintain a roster for the different categories of ratings. Men are selected for appointment to vessels strictly in accordance with this roster and are guaranteed a fixed term of employment which has been agreed with the representatives of the workers. This is substantially the same as the system introduced by the Government of India Seamen's Employment Bureau for the crews of deep sea vessels. The Union originally demanded permanent employment for ratings but this demand was dropped when it was realised that several thousand men would become unemployed due to the surplus of men registered over available appointments.

The Joint Steamer Companies have also introduced direct payment to ratings as they were aware that certain abuses had been practised in the past by the in-charge ranks, and they were anxious to put a stop to them. The new system of employment and payment while satisfying to some extent the ordinary ratings, has caused discontent among the Certificated Ranks, who claim with some justice that they can no longer enforce strict discipline on board their vessels.

The great difference between the system of employment in these inland vessels and in deep sea ships is due to the absence of legislation for the former corresponding to the Indian Merchant Shipping Act, which gives wide disciplinary powers to masters of ocean going

ships. The Joint Steamer Companies have endeavoured to meet this situation by the introduction of Ratings' Service Regulations which have been jointly agreed with the workers' representatives. They are aware, however, that these Regulations by themselves are not really satisfactory, and they have urged on both the State and Central Governments the need for legislation similar to the Indian Merchant Shipping Act to be applied to inland water transport. It is hoped that in time a satisfactory system will be evolved, which will achieve the dual object of ensuring discipline among the crews and the efficient operation of the vessels, while also establishing satisfactory service conditions for the men.

The Joint Steamer Companies' shore staff fall into 2 main categories: those employed in Calcutta and those working in the Agencies and Sub-Agencies along the rivers in Assam and Bihar.

The Calcutta Clerical Staff belong to the Inland Steam Navigation Workers' Union whose Executive Committee consists largely of persons who are either Communists or closely connected with the Communist Party of India. This Union has been recognised by the Joint Steamer Companies for a number of years and they have tried, not always with success, to maintain cordial relations with it.

The scales of pay and other conditions of service of the members of the Inland Steam Navigation Workers' Union were established in the Award of Sri A. Das Gupta in the year 1949, since when the Joint Steamer Companies have voluntarily introduced improvements in their efforts to maintain good relations with the staff. They have, however, been unsuccessful in convincing the Union that profit sharing bonus is not payable on the Companies' trading results, and appeals for several years are at present pending before the Calcutta Bench of the Labour Appellate Tribunal, the Union having lost their cases before the Lower Tribunal.

The staff in Assam are members of the R.S.N. & I.G.N. & Rly Co. Ltd Workers' Union, whose President is Sri Hareshwar Goswami, Leader of the Opposition in the Assam State Assembly. The Joint Steamer Companies have been fortunate in establishing good relations with this Union, and terms and conditions of service are currently fixed by an agreement which does not expire until February, 1957. This Union represents not only clerical and subordinate staff but the pilotage staff who are responsible for marking the navigable channels in the rivers both by day and by night.

The staff in Bihar are represented by the Steamer Mazdoor Union whose General Secretary, Sri Fateh Narain Singh, is a member of the Bihar Legislative Council.

Since 1954 the Joint Steamer Companies have directly employed a large force of handling labourers in Assam, who were formerly working under the contract system. These workmen are represented by local unions who are affiliated to the Assam Branch of the Indian National Trade Union Congress. There is at present in progress a tripartite enquiry commission, which has been set up to go into the terms and conditions of the work of the handling labourers and to establish a reasonable workload on which a guaranteed minimum wage can be based.

The Joint Steamer Companies firmly believe in joint consultation and they recognise all the above Unions. They are anxious to maintain cordial relations with them and to obtain a fair return from their employees for what they consider to be fair wages.

The Floating Staff are represented by the Bengal Mariners' Union which has been recognised by the Companies for many years. Due to a legal dispute over the General Secretaryship of their Union their current agreements affecting the floating staff have been signed with a Negotiating Committee whose representatives hold regular meetings with the Labour Department of the Joint Steamer Companies.

The Joint Steamer Companies' services in West Bengal, Assam and Bihar have been declared by Government to be a public utility service under the Industrial Disputes Act and the Joint Steamer Companies' constant endeavour is to avoid inconvenience to the public, who depend upon them for the transport of their goods, and they are always ready to settle the reasonable demands of their workers by joint consultation rather than by adjudication.

For a number of years the Floating Staff have been

able to earn trip bonuses calculated on the time taken to complete voyages. In 1955 the Joint Steamer Companies introduced an Incentive Bonus for their shore staff and were able to pay 25½ days' wages to their staff in West Bengal and Assam before the Puja holidays. The Joint Steamer Companies have also undertaken certain welfare activities including the housing of some categories of staff upcountry, and they have built a modern housing estate at Khargoli in the suburbs of Gauhati. Due to the increase in operating costs since the war, the Companies have not been able to allocate as much for welfare purposes as they could wish, but they hope with the co-operation of the workers and by the introduction of incentive schemes to be able to undertake further welfare activities in the future. They are confident that they can secure this co-operation provided that irresponsible political elements desist from attempts to stir up unrest and discontent among the workers with the sole object of advancing their party interests.

Progress of Shipbuilding Industry

THE shipbuilding industry in this country which is now over a decade old cannot be considered to have crossed the hurdle of its preliminary difficulties. It was quite obvious that in spite of the singular qualities of business enterprise and sacrifice shown by the Scindia Steam Navigation Company in pioneering this nascent industry, stability was difficult to be secured unless the State came forward with financial participation and massive assistance. The much-needed transformation came when in March 1952 the Hindustan Shipyard Limited which was formed a couple of months earlier took over the Viskhapatnam shipyard from Scindias.

The structure of the shipyard was strengthened with the expansion of its share capital which was raised to Rs. 2.08 crores initially and another vital element of strength was imparted to it on the technical side. This was the five-year agreement entered into in July 1952 with the French firm of shipbuilders, La Societe Anonyme Des Ateliers et Chantiers de la Loire (ACL, for short) for technical collaboration. There was a somewhat unhappy chapter in the history of the Hindustan Shipyard in the first four years since its inception, because the technical collaboration has not come up to expectations and it is no harsh reflection to state that planning and organisation on behalf of ACL were less than satisfactory particularly at the beginning. The real test of the progress and vitality of the industry needs to be judged by the criterion of the number of ships actually delivered to the purchasing companies. Expert estimation was not applied in drawing up the schedule of construction and delivery of ships and in inducing shipping companies to place orders on its strength. The shipyard started work with the help of ACL in July 1952 on the assumption that five ships could be delivered per year and this rate would be stepped up later on. This assumption was subsequently reduced to a rate of four ships per year and even then this target was described as theoretical. It is difficult to appreciate why a theoretical target was assumed when the purchasing companies were called upon to make substantial investments for outlay on new ships in advance. Including one ship which is expected to be delivered in a matter of months, the total number of ships delivered by the Hindustan Shipyard to date comes to only 3 which gives an annual average of 2 ships.

Apart from the consideration that in some advanced shipbuilding yards a penalty clause is usually inserted for non-compliance with the delivery terms, it is difficult to overlook the consequences of the rate of construction and

repeated revisions of delivery dates at Hindustan Shipyard. In this context it needs to be stressed that the full cost of a ship is recovered to the extent of 80 per cent in four equal advance instalments and to the extent of 20 per cent on delivery. This involves looking up of considerable capital of the companies. The effect of inability to deliver ships according to schedule has been diversion of orders abroad and a short-fall in fulfilling the target of the first Five-Year Plan. In recent years the prices of ships have kept on steadily increasing, for instance, the price of an average ship for the coastal trade rose between 1950 and 1955 by 82 per cent. Foreign shipyards are now reluctant, by reason of the pressure on their order books and the trends in steel costs, to accept terms of base prices subject to fixed ceilings. It means that slow construction at Visakhapatnam has involved Indian shipping companies in heavier costs.

This is not in the least to minimise the difficulties which the Visakh yard has to encounter and the odds against which it has had to fight. A highly developed shipyard concentrates on the construction of hulls and as regards important parts like the propelling engine and its auxiliaries, electrical fittings, wireless equipment, and so forth. They are supplied by adjacent specialised manufacturers. This facility of local integration is denied to Hindustan Shipyard and further the high cost of imported steel and timber has gone to increase its building costs. In view of the limited number of ships built at the yard the overhead charges are relatively very high. Delays in receipt of imported engines, boilers and other components, which are frequently experienced, not only hold up progress but go to inflate final costs. Another important and unusual factor in the high cost structure of the yard was the burden of surplus labour. It was ultimately eliminated with a payment of Rs. 7.27 lakhs for retrenchment benefits in 1952-53, marking the final phase of the graduated programme of retrenchment. Maintenance of idle labour cost Rs. 4.44 lakhs in this year and still higher amounts in the earlier years.

Much of the ground has now been prepared for the rationalisation of the cost structure of the yard. But reform in two directions is still needed. The yard has been involved in higher costs and slow execution because of a wide range of types of vessels it started undertaking to build. It is now agreed between the Yard, the Government and the shipping companies that standardisation should be introduced by reducing the number of types for coastal ships to three types at the most and to limited types for ships plying the distant trades according to their nature. The absence of a dry

dock was a factor both of higher costs and delay necessitating completion of the final part of the work in the dry docks at Calcutta and delivery there. The project of building a dry dock at Visakh is now taken in hand with a loan of Rs. 2.15 crores, interest-free for the first seven years and thereafter bearing interest at the rate of 4 per cent, repayable in 25 years. The earning capacity of the Yard would be increased by its ability to undertake profitable repairing jobs at the projected dry dock.

At the present time, subsidy is paid by the Government to the Visakh Yard to compensate for the loss sustained in selling ships at the UK price parity. The extent of the higher costs of Visakh-built ships is indicated by the fact that in 1954 a ship cost Rs. 81 lakhs against the equivalent UK price of Rs. 58.9 lakhs. The subsidy thus came to over 36 per cent. It is not uncommon with governments of countries having advanced ship-building industry to pay a subsidy of 30 per cent. Shipping companies have urged for relating the price parity for purposes of subsidy to the prices offered by

other countries at a lower level than that of UK. Recent indications are that this request would be met. The prospect for economy in the immediate future in the building cost of Hindustan Shipyard lies in scientific planning of construction schedules, avoiding waste in materials used and utilising the idle capacity of the machines in complementary production like assembly of imported railway wagons. Improvements in these directions are under active consideration.

During the second Five-Year Plan, total investment in the Yard is to be stepped up from Rs. 6 crores to Rs. 9.3 crores and the estimated production is to be increased from 50,000 GRT. to 100,000 GRT. The tonnage construction target appears within achievement and already there are orders from Indian shipping companies for half the tonnage accounting for yearly ten ships. The balance of orders is expected to materialise without difficulty. The Yard will in this manner contribute to one-third of the additional target of tonnage of expansion fixed for the second Plan. The rate of delivery would be doubled to four ships a year.

Ports and Harbours

TWO problems created by the war called for urgent solution in the rationalisation of the capacity of India's ports. They were not basically different from the problems posed for the reconstruction of the other forms of transport. Excessive strain of emergency traffic and inevitable accumulations of maintenance and replacement of equipment on an abnormal scale made it imperative that early priority should be given to rehabilitation and modernization of the capacity of ports to handle cargo. The volume of sea-borne trade kept on increasing not only during the war but also in the period following the war. It is obvious that the increase in India's sea-borne trade has come to stay. This progressive trend is certainly the more important of the two post-war tasks to which the country's port capacity has to face up. Partition aggravated the situation especially in respect of the pressure of rising traffic since one of the major ports—Karachi—was lost to Pakistan. A substantial part of the overseas trade of the hinterland of Karachi comprising large areas of North India and also, to a lesser degree, of Western and Central India had to be diverted and for this purpose there were only two outlets—Bombay and Calcutta.

The distribution of sea-borne traffic through the country's principal major ports in the post-war period is sufficiently reflected in the actual trends for the three recent years summarized in the following table:

Ports	TRAFFIC MAJOR PORTS	THROUGH INDIA'S (In million tons)	
		Imports	Exports
Calcutta	1952-53	3.32	5.34
	1953-54	2.72	4.57
	1954-55	3.24	1.94
Bombay	1952-53	4.70	1.95
	1953-54	4.76	1.95
	1954-55	5.63	0.32
Madras	1952-53	1.81	0.49
	1953-54	1.64	0.49
	1954-55	1.72	0.33
Cochin	1952-53	1.22	0.32
	1953-54	1.23	0.35
	1954-55	1.20	

These figures reveal the concentration of a large share of the import-export trade in Calcutta and Bombay. A most outstanding feature of the trade which is quite obvious is the unique position of Calcutta as a port of exports. This is expected to be continued in

any future set-up of port development because of the composition of this country's exports which will naturally seek egress through Calcutta—jute, tea, coal, mineral ores and general merchandise. Nevertheless, the decline in the traffic through Calcutta port is disquieting and underlines the need for correctives to reverse the trend. The consequences of partition are seen in the traffic trends of Bombay port which had to bear the main brunt of the loss of Karachi. Imports routed through Bombay are considerably higher than those routed through Calcutta and the disparity is widening in recent years. This is due, apart from the post-war increases in the volume of imports, to the separation of Karachi. The volume of exports through Bombay has also accentuated the post-partition pressure on this port. Madras and Cochin handle traffic consistently with the share of the South in the country's sea-borne trade.

The upsets caused by partition indicated the urgency of corrective measures and in 1949 the problem of port capacity expansion was taken in hand with the appointment of the West Coast Major Ports Development Committee. The Committee's principal term of reference was to recommend, after exhaustive technical investigation, the location of two major ports on the West Coast—one between Kutch and Bombay and the other to the South of Bombay. The Committee which reported in July 1949 selected Kandla and Malpe as the suitable additional major ports. The task of immediate urgency was to compensate for the loss of Karachi and this task will be amply fulfilled by the construction of Kandla port in Kutch which is progressing at a satisfactory rate since last year. The first phase of the construction of Kandla was over with the opening of oil traffic in April 1955. An important responsibility of large magnitude which has been placed on India's ports in the post-independent era is to provide large-scale facilities for the developing traffic in oil. Bombay, Kandla and Visakhapatnam will have to share the bulk of this new traffic.

The main objectives of the first Five-Year Plan in port development were to rehabilitate and modernize the equipment in the major ports, to increase their cargo dealing capacity and to construct a modern port at Kandla. These objectives have been fulfilled in varying degrees and it is surely a great merit of this Plan that definite progress has been registered in the work on Kandla. The capacity of India's five major ports—Bombay, Calcutta, Cochin, Madras and Visakh-

patnam—has been raised by 30 per cent from 20 million tons to 26 million tons. It would, however, be presumptuous to claim substantial credit for modernisation of equipment and overall facilities. The shortfall in expenditure cannot certainly be regarded as unimpressive. The second Plan envisages an expenditure target for major ports of Rs. 58.31 crores and aims at an increase of 30 per cent in terms of traffic clearance capacity. The distribution of outlay is likely to be: Bombay Rs. 17.42 crores, Calcutta Rs. 19.88 crores, Cochin Rs. 3.61 crores, Kandla Rs. 8.94 crores and Madras Rs. 8.46 crores. Development expenditure for Visakhapatnam is included in the Railway Plan, while Kandla is a hundred per cent Central responsibility. The remaining four major ports which will raise Rs. 3 crores out of their own resources and will require loans from the Centre for the balance of the outlay. The actual expenditure anticipated in the period of the second Plan is Rs. 40 crores. It is a significant commentary on the progress of the first Plan that this amount of Rs. 40 crores contains a carry-forward of Rs. 25.5 crores left over by it.

The present classification, which relegates all the

remaining ports handling less than one million tons of cargo to the description of minor ports has proved unsatisfactory and also inconvenient for development priorities. The category of intermediate ports is already emerging and its claim to distinct treatment cannot fail to win recognition. Minor ports, in current administrative parlance, are the responsibility of the maritime States concerned. They received a modest allocation of Rs. 2.5 crores in the first Plan and excepting for a small outlay of Rs. 30 lakhs their programme of expansion has been carried through. The rate of development expenditure is to be doubled in the second Plan with an allotment of Rs. 5 crores. The new emphasis on intermediate ports is indicated in the special provision of Rs. 1.7 crores in this allotment for the expansion of Mangalore, Paradip and Tuticorin. Five ports in Kutch—Jakkau, Lakhpet, Koteswar, Mandvi and Mundra—constitute the charge of the Central Ministry of Transport. During the first Plan their development schemes absorbed an amount of Rs. 14 lakhs, revealing a shortfall of Rs. 4 lakhs. The outlay in the second Plan, fixed for these ports at Rs. 15.6 lakhs, anticipates a somewhat higher rate of expansion than in the current Plan.

add Rs. 1 crore in 1956-57 to its issued capital of Rs. 6 crores, 74 per cent of which is Government-contributed.

The Corporation has been authorised to acquire two tankers, following representations that private shipowners should also be permitted to go into the tanker business. It may be recalled that the Government has already decided to acquire two tankers on its own account to carry the coastal oil trade which is bound to increase, particularly in the wake of the setting up of oil refineries in Bombay and Visakhapatnam. The Great Eastern Shipping Company has already acquired one tanker. The Government propose to take over the entire capital and management of the Corporation when Scindias cease to be the managing agents in August next under the new Company Law. Another shipping Corporation with a capital of Rs. 10 crores is likely to be set up to ply on uneconomic routes which private companies do not wish to operate on and to increase the share of Indian ships in the country's foreign trade.

OVERSEAS TRADES

AT the end of 1955, thirty-three Indian-owned ships of about 225,000 gross tons were plying on the various overseas routes. During the year, Indian shipping companies continued to maintain their position in the existing trades and added five ships totalling 25,000 gross tons to the India-UK-Continental cargo service. The India-UK-Continental Conference has accepted the claims of Indian shipping companies for full membership with unrestricted rights, and the Scindias and the India Steamship propose to put 15 ships each in the trade in the course of the next five years. The freight and passenger earnings of Indian Shipping Companies in 1954-55 came to Rs. 10.47 crores as against Rs. 8.59 crores in 1953-54. To bring overseas shipping interests into closer contact with the Government, the Overseas Shipping Conferences Committee was set up by the Government in October 1955, comprising seven members, two each from the Indian National Steamship Owners' Association, the Bengal Chamber of Commerce and the Bombay Chamber of Commerce and one from the Oil Industry Supply Committee. The first meeting of this committee was held in Calcutta in November 1955 and it is proposed to set up suitable local organisations at Bombay, Calcutta and Madras for dealing speedily with matters of local interest.

Notes on Shipping

RECRUITMENT AND WELFARE OF SEAMEN

THE Seamen's Employment Office, set up in Bombay in March 1954, regulates the supply of maritime labour on the principle of rotation. The number of seamen who registered themselves for employment at this office up to December 31, 1955, was 32,027 compared to 19,764 by the end of 1954. A similar office for the recruitment of seamen has been set up at Calcutta from March 1955, and 18,476 seamen have registered themselves there up to December 31, 1955. To the Bhadra (Calcutta) and Mekhala (Visakhapatnam) Ratings Training Establishments was added a third during last year at Navlakhi, Saurashtra. The National Seamen's Welfare Board consisting of representatives of Government, shipowners, seafarers, port authorities, etc., with the Minister of Transport as Chairman, looks after the welfare of seamen. There is a hostel for seamen in Calcutta and another is in the process of construction in Madras. Training for merchant navy officers is provided by Dufferin and the Nautical and Engineering College, Bombay, provides instruction in higher marine engineering.

EASTERN SHIPPING CORPORATION

DURING 1954-55, the Eastern Shipping Corporation, which was set up in March 1950 to facilitate the participation of Indian shipping in overseas trade, by the Government of India and the Scindia Steam Navigation Company, improved its position in the Madras-Singapore and the Bombay-East African passenger trades. But, owing to the unsettled conditions in the Far East trade and the limited support which Corporation ships received in the early stages of their participation in this trade, the low freights prevailing in the Australian food grain trade, etc., the working of the Corporation for the year disclosed a loss of Rs. 19 lakhs, although freight earnings more than doubled over the previous year. This compares with a profit of Rs. 4 lakhs in 1953-54, Rs. 12 lakhs in 1952-53 and Rs. 23 lakhs in 1951-52. The year 1954-55 was the first year in which losses were incurred since the Corporation was established in 1950. The Corporation is handicapped in stabilising its position in the Australian and Far East trades by the limited number of ships operated in them and the difficulty of getting additional tonnage at reasonable prices. The Corporation has six ships of 42,297 tons G.R.T. and plans to

WORKING RESULTS OF INDIAN SHIPPING COMPANIES

('000 Rs.)

Name of Company	Paid-up Capital	Reserves*			Other liabilities**	Fleet at Cost	Assets excluding Fleet††	Profit or Loss† (+) or (—)		Dividend amount and Percentage	
		Fleet replacement	Depreciation on Fleet	Gen. & others (d)				Year under review	Previous year	Year under review	Previous Year
Bharat Line (Bombay) ..	1,00,00	16,68	1,80,07 (a)	—	2,46,95	4,52,69	91,90	+5,20	+5,11	5,00 (5%)	5,00 (5%)
Scindia Steam Navigation (Bombay) ..	9,40,20	2,59,78	4,34,44 (a)	4,49,00§	6,65,82	14,91,83	16,55,57	+22,73 (b)	+52,95 (b)	23,47 (2½%)	23,47 (2½%)
Great Eastern (Bombay) ..	50,37	8,94	81,90	25,42	1,15,01	2,47,46	37,31	+10,38	+14,34	5,00 (10%)	5,00 (10%)
India Steamship (Calcutta) ..	2,50,00	..	1,80,12	74,99§	4,26,52	7,23,94	1,97,52	+1,30	+1,76	O: Nil P: 1,25 (5%)	O: Nil P: 1,25 5%
Eastern Shipping Corporation (Bombay) ..	5,50,00	2,00	41,34	14,59	2,20,11	4,64,77	3,63,79	-17,89	+4,07	Nil	Nil
Malabar Steamship Ltd., (Bombay) ..	20,60	..	24,20	12,25	51,20	88,45	19,38	+2,94	+1,73	O: 55 (6%) P: 61 6% & 5%	O: 55 6% P: 61 6% & 5%
New Dholera Steamship (Bombay) ..	9,23	..	27,65	2,26	56,42	80,47	+12,11	+57	+59	O: 22 6% P: 33 5%	O: 22 6% P: 33 5%

('000 Rs.)

	Freight and Passage Income including Charter Hire		Other Income		Total Expenses		Charter Hire Paid		Profit before Providing for depreciation & Taxation	
	Year under review	Previous year	Year under review	Previous Year	Year under review	Previous Year	Year under review	Previous Year	Year under review	Previous Year
Bharat Line Ltd. ..	2,61,81	2,22,28	102	69	1,96,50	1,62,24	31,08	21,11	35,25	39,62
Scindia Steam Navigation Co. Ltd. ..	8,88,22	9,17,87	25,68	34,92	7,60,67	7,80,97	45,80	27,54	1,07,42	1,44,27
Great Eastern Shipping Co. Ltd. ..	2,29,64	1,71,20	4,11	1,53	1,84,39	1,04,83	20,25	29,20	29,11	38,69
India Steamship Co. Ltd. ..	4,01,00	3,60,28	1,71	1,31	3,42,03	3,01,03	36,51	32,76	24,18	27,80
Eastern Shipping Corporation ..	1,43,19	92,30	23,60	5,51	1,33,02	72,04	6,89	15,28	6,25	10,49
Malabar Steamship Co. Ltd. ..	44,93 (e)	43,01 (e)	1,35	2,05	34,14	35,33	..	..	12,14	9,73
New Dholera Steamship Ltd. ..	39,20	44,62	4,20	85	37,83	40,84	..	..	5,57	4,64

Note: The above results are for the year ended 30-6-55 for Scindia and Great Eastern. In case of India Steamship, Eastern Shipping, Malabar and New Dholera it is year ended 31-3-55 and year ended 31-12-54 in the case of Bharat Line. In the case of Scindias the debentures amount to Rs. 4,26,57,000.

* Include appropriations from the year's Profits.

† Arrived at after providing for depreciation before providing for taxation.

‡ Includes premium on shares.

§ Arrived at after taking into account appropriations from the year's profit and excludes balance carried forward.

¶ Excludes intangible assets such as loss, debenture issue expenses, preliminary and deferred expenses.

(a) Includes depreciation on other assets.

(b) After providing Rs. 10 lakhs to debentures sinking fund.

(c) In lieu of dividends, bonus shares of the value of Rs. 10 each were distributed to the shareholders in the ratio of one share for five ordinary shares held.

(d) Excludes provision or reserve for taxation.

(e) Net Profit.

O: Dividend on Ordinary Capital.

P: Dividend on Preference Capital.

MERCHANT SHIPPING

('000 gross regd. tons)

Country	1934	1939	1947	1950	1951	1952	1953	1954
World Total	64,358	68,509	78,705	84,383	87,245	90,180	93,352	97,442
India	214	238	317	420	452	477	488	513
China	398	258	649	816	633	614	659	660
Japan	4,073	5,630	1,024	1,871	2,182	2,787	3,250	3,578
Turkey	199	244	187	388	424	444	478	487
Belgium	413	408	366	482	493	490	483	497
Denmark	1,101	1,175	1,024	1,269	1,344	1,391	1,529	1,614
Finland	403	590	271	503	552	588	621	665
France	3,260	2,934	2,315	3,206	3,367	3,638	3,826	3,841
Germany	3,680	4,483	591	460	1,031	1,398	1,750	2,226
Greece	1,507	1,781	1,027	1,349	1,277	1,274	1,222	1,176
Italy	2,875	3,425	1,301	2,580	2,917	3,289	3,456	3,798
Netherlands	2,612	2,970	2,436	3,109	3,235	3,264	3,372	3,442
Norway	3,980	4,834	3,761	5,456	5,819	5,906	6,263	6,805
Portugal	241	257	397	537	492	528	544	561
Spain	1,164	902	1,130	1,190	1,216	1,216	1,271	1,309
Sweden	1,597	1,577	1,829	2,048	2,113	2,332	2,575	2,701
United Kingdom	17,630	17,891	17,848	18,219	18,550	18,624	18,584	19,014
Union of S. Africa	539	629	465	586	527	414	433	455
Canada	1,316	1,223	1,870	1,931	1,647	1,692	1,652	1,610
United States	12,303	11,362	32,423	27,513	27,331	27,245	27,237	27,344
Brazil	495	485	603	698	688	794	854	895
Argentina	316	291	571	914	979	1,034	1,057	1,057
Panama	271	718	1,702	3,361	3,609	3,740	3,907	4,091

Source: U.N. Statistical Year Book, 1955.

SHIPPING IN INDIA'S FOREIGN TRADE

Nationality	1953-54				1954-55			
	Entered		Cleared		Entered		Cleared	
	N.R.T. ('000)	%	N.R.T. ('000)	%	N.R.T. ('000)	%	N.R.T. ('000)	%
Indian	325	4.02	421	4.83	356	4.43	419	5.77
British	4,171	51.74	4,038	46.32	4,072	50.82	3,337	45.91
American	622	7.71	804	9.22	573	7.20	667	9.17
Japanese	442	5.48	758	8.69	511	6.36	709	9.75
Italian	281	3.48	395	4.53	256	3.19	262	3.60
German	77	0.95	92	1.06	107	1.34	92	1.26
Norwegian	580	7.19	374	4.29	528	6.57	323	4.44
Others	1,565	19.40	1,835	22.76	1,621	20.19	1,461	20.10
TOTAL	8,062	100.00	8,717	100.00	8,028	100.00	7,269	100.00

Source: Indian Shipping, July 1955.

CARGO HANDLED AT MAJOR PORTS

('000 Dw. tons)

Port	1953-54			1954-55		
	Imports	Exports	Total	Imports	Exports	Total
Calcutta	2,723	5,336	8,059	3,241	4,573	7,814
Bombay	4,776	1,951	6,727	5,630	1,954	7,584
Madras	1,570	472	2,042	1,595	465	2,060
Cochin	1,234	324	1,557	1,198	412	1,610
Visakhapatnam	186	1,205	1,391	240	496	1,035

Source: Indian Shipping, Dec. 1955.

The Oil Industry

CONTENTS

The Nature of the Oil Industry	.. .. .	i	"Bigness" in the Oil Industry and Competition	xi
Exploration—the Background	.. .. .	ii	Notes on Oil Products	xiii
Demand and Supply—the Background	.. .. .	iv	I—Petroleum Chemicals; II—The Main	
Marketing and Distribution	.. .. .	vii	Oil Products: Gas; Aviation Fuels;	
The World Tanker Position	.. .. .	viii	Motor Spirit; Kerosine; Furnace	
Refining and Supplies to India	.. .. .	ix	Oil; Lubricants; Bitumen; Other	
			Products.	

The Nature of the Oil Industry

THE growth of the oil industry is a remarkable phenomenon even in these days of rapidly expanding economies and startling increases in production of goods and services in many countries. Comparison may reasonably be made with the rise in industrial activity from pre-war levels which in Western Europe has been some 87 per cent, about 189 per cent in the USA and approximately 64 per cent in India. The world oil industry, despite the fact that no other industry suffered such ruthless and deliberate destruction in the war years, is currently producing oil and natural gas at almost exactly 200 per cent above the 1938 rate for the world, excluding the USSR and its satellites. The figures relating to the latter are to some extent conjectural, but by including them the increase would be approximately 186 per cent. The USSR and its satellites have not been participating freely in international trade in oil and therefore have not been significant suppliers to, or customers of, the rest of the world in this form of energy. Unless otherwise stated, therefore, the figures quoted for the world are those relating to the free trading world, and exclude the USSR and countries under the Soviet control.

To realise the importance to the world of the major effort that has led to the indicated expansion of oil supply, it is necessary to realise that oil and natural gas have recently overtaken coal as the major supplier of the world's energy requirements; and taken in the context of a production of coal which is itself expanding but at a rate slower than that of oil, it is highly significant. This expansion of production and the vast machinery of processing, shipping, distribution and sales facilities, is the work of an industry composed of many enterprises, large and small, in many lands, speaking many tongues and using many currencies, but all in their own way contributing to a free and competitive system which, in essence, operates without friction and ensures that no one goes short through a

fault of his own. Until atomic energy develops on a vast scale, and that is many decades ahead of us, the world will remain highly dependent on abundant supplies of oil products readily available at the places and in the forms required. Otherwise industrial expansion cannot be maintained, nor standards of living protected and improved. Petroleum products are in universal demand. There is no country in the world which can do without them, and some are vitally dependent on them; very few can meet their requirements from internal sources of supply.

It is to be hoped that the search for oil in India will be successful, but it is sensible to recognise the risks involved, the inevitable gambles and the costs. History proves that with rare exceptions oil is produced in economic quantities only by the patient application of the combined resources of many teams, with the risks spread as widely as possible. In any event India takes her place with many other countries which are serviced by the organisations which have grown up to supply the international needs. The big reserves on which the world absolutely depends are largely in areas remote from the centres of population and industrial development. That, broadly, is the reason why the peoples of the world must be assured that the free flow of oil will not be interrupted, and also why the organisations which compose the oil industry must be fully up to the task of producing, refining, transporting and distributing its products in the right quantity and quality wherever required.

The manifold nature of the tasks that when added together make up the integrated chain of supply is not perhaps as widely understood as its importance deserves. Individual enterprises in the oil industry at various stages are faced with great problems and risks, therefore it would contribute to general understanding if we trace the development of effort from its beginning, that of the search for oil deposits.

Exploration—the Background

THE difference between the starting point—that is to say, when an oil company's geologists first go into a territory—and the conditions after oil has been located and an oil-field developed, are poles apart. It is this exploration and development stage which is so often overlooked. In the early days of the oil industry conditions were considerably easier than they are now. Most of the primary discoveries were made as the result of definite surface indications of the presence of oil, but the supplies that were so near the surface and conveniently revealed themselves have long since been charted and developed. The present-day search for oil leads the industry into more difficult, inaccessible and expensive territory.

Nature has not been considerate in the location of oilfields, and the majority outside North America are found in tropical jungles, desert wastes, Arctic cold, or under the sea. In many cases, when a concession is signed, surface maps do not even exist and the search for oil has to be preceded by aerial surveys for map purposes. Only then is it practical to start a scientific search for oil, involving field geology, gravity surveys, seismic surveys, corehole drilling, and, finally, full bore test wells. Each of these processes is itself a science, its use being to amplify or check the conclusions of the others, for the price of failure is high. Oil is now sought at depths which sometimes exceed three miles. Despite all modern techniques even in the United States around 20,000 dry holes were drilled in 1954 representing some 40 per cent of total new holes drilled in search of production. Failures every year represent a write-off of tens of millions of pounds sterling, abandonment of many hundreds of thousands of acres of concessions and, incidentally, many hundreds of miles of roads whose construction is the usual prerequisite of drilling. There are numerous cases of entire areas being abandoned after long and costly search, instances are many but the following are illustrative.

Ecuador: £9 million was spent on a six-year search for oil which was abandoned in 1950 without result.

Nigeria: £12 million and eighteen years have been spent on a search which is, so far, commercially unproductive.

Columbia: \$21 million were spent between the start of a search in 1916 and the discovery of oil in 1933, and a further \$39 million had to be spent in the next six years before the first oil was marketed in 1939.

Canada: One major company drilled 130 dry holes over a span of 28 years before the first major oilfield was discovered and the record in Australia has been as difficult and expensive.

New Guinea: One search has been held by a partnership of five major oil concerns in virgin territory against the most formidable obstacles. After 20 years' work there is a deficit of £30 million, £40 million having been spent and only £10 million recovered. In another part of New Guinea one venture has already cost £13 million with another £4 million committed, so far without success.

The fact remains that even after the skilful and preliminary geological search nothing more is revealed than the fact that the substratum is such that it is capable of retaining oil, and the proof of oil only lies in putting down the costly and arduously drilled borehole.

This is the chequer-board of failure against which success must be viewed, and it confirms that the winning of oil is still a speculative and highly hazardous

enterprise. This should not be overlooked when assessing what is the fair division of profits to be apportioned between those who provide all the technical skill, equipment, and risk capital and those who own the mineral rights. Furthermore the subsequent security of tenure in production must be such that adequate financial strength is continuously generated for further search; otherwise, the entire industry's structure of world-wide development would collapse, with effects on an energy-hungry world which would be intolerable.

THE MECHANISM OF EXPLORATION

Oil was formed by the decay of animal and vegetable remains which fell to the bottom of the sea and were buried by layers of sand and silt. Movements of the earth's crust compressed and buckled these layers causing the oil to migrate to regions of lower pressure and to accumulate in porous rocks. In some of these rocks oil has been trapped by the presence of a cap of rock through which liquids cannot pass. The form of development of these traps shows considerable variety requiring great skill in evaluation by the oil geologist.

EXPLORATION METHODS

Geological: In exploring for oil in an area it must first be decided if conditions in past geological time would have favoured its formation. Exposed rocks are mapped and a search made for oil that has seeped to the surface. If conditions are favourable, structures in which oil could accumulate are traced. One of the geologist's chief aids here is photographic mapping from the air. Aerial photographs under the stereoscope show a surprising amount of geological evidence even in densely-wooded country.

Geophysical: When the structure of rocks underground cannot be mapped by geological work on the surface or from the air, other methods are used.

Gravimetric Method: Instruments measure with great precision the slight variations in the attraction of gravity at the surface. These variations are influenced by the distribution underground of rocks having different densities. In this way structures in depth may be defined with considerable accuracy.

Seismic Methods: Artificial earthquakes produced by explosives generate shock waves in the earth's crust which are recorded by instruments placed at varying distances from the explosion. One method makes use of the fact that the shock waves travel more rapidly in hard than in soft formations. By measuring the speed of the waves it is possible to judge the type of rocks through which they have travelled and to estimate their depth. The other method, more widely used, depends on the fact that shock waves return a reflection or echo when they strike hard beds like limestone. The time taken by the wave to travel from the surface down to the reflecting layer and back to the surface again can be interpreted to give the depth of the reflecting layer.

Magnetic Method: From local variations in the intensity and direction of the earth's magnetic field the distribution of rocks having different magnetic properties can be judged. A very rapid method of mapping a large area is to make a magnetic survey with instruments mounted in an aeroplane. The tracing of formations of the same age is of great importance. The principal methods of doing this are: corehole drilling, by which structures underground are correlated in depth and thickness from hole to hole; the study of the type and character of the rocks and of the fossils found in them.

April 27, 1956.

DEVELOPMENTS FOLLOWING EXPLORATION

Oil geologists and geophysicists explore great tracts of land in their search for likely structures. Their surveys usually enable them to choose smaller areas that are worth exploring in detail. But even when these have been mapped and fully investigated it is only by drilling that the presence of oil can be proved.

DRILLING

Three thousand years ago the Chinese used a laborious method of drilling for salt. The drillers jumped on and off a spring-board, rather like a diving-board. This raised the drilling tool, and then let it pound into the earth: it was like driving a nail into a piece of wood. This principle was also used in the early days of drilling for oil.

The "Cable-tool" or "percussion" drilling system as this method is called involves a "walking beam" usually operated by a steam engine lifting and dropping the drill tool to make a hole. This method was employed in the first oil well which was successfully completed in 1859, oil being discovered at a depth of 69 feet. "Cable-tool" drilling is very slow and best suited to shallow drilling in hard formations, although a few wells have been drilled by this method to a depth of about 10,000 feet. Oil wells are still sunk by the cable-tool method, but the vast majority of modern wells are drilled by the "rotary system" as it was found better to bore a hole into the ground by using a rotary drill rather like a brace and bit. These drills can go deeper and faster, and with modern equipment oil is now produced from a depth of over 15,000 feet; unproductive wells have been drilled to even greater depths, in one case exceeding 20,000 feet.

There is still excitement to be found in the drilling and sinking of the first well in a new territory. After months of prospecting, geologists decide which is a possible oil-bearing locality, and their findings must be put to the test. An experimental well for this purpose is known as a "wildcat". Everything needed for the job has to be transported to the site, which may be hundreds of miles away, along specially built roads. In spite of all the geologist's accumulated skill, the chances are 10 to 1 against success.

DRILLING EQUIPMENT

The first step in rotary drilling is to excavate a cellar 6 to 25 feet deep and about 10 to 15 feet square to house the well-head fittings, etc., below the derrick floor, alternatively a steel structure giving a clear space of similar dimensions may be erected. A considerable amount of drilling equipment is required: the principal items are the derrick, the draw-works (or hoist) by which the drillpipe and casing are raised and lowered, the turn-table which rotates the drillpipe, slush pumps, a power unit and the drilling string. For a large unit the total weight of equipment may be as much as 350 tons, excluding the casing with which the well is lined and which may weigh another 300 tons. The steel derrick is usually about 136 feet high with a base 26 feet or 30 feet square, and is capable of handling a load of about 300 tons. For exceptionally deep holes derricks up to 200 feet high may be used, while on the other hand some wells are drilled by small portable derricks. At the top of the derrick is mounted the "crown" block from which, by means of pulleys and travelling block, the "swivel"—a rotating joint to which the drilling string is attached—is suspended on wire ropes.

The drilling string may be divided into four sections: "kelly", drillpipe, drill collars, and "bit". The "kelly" is of square or hexagonal cross-section and fits into a suitably shaped hole in the rotary table which, driven by a power unit, rotates the drillpipe and so

causes the bit to cut or chip through the rock like a carpenter's brace and bit. The power used may be steam, electricity, or an internal combustion engine. The drillpipe is screwed on to the lower end of the kelly and as the hole increases in depth, the kelly and the drilling string are lowered through the turn-table until only a short length of the kelly remains above it. Then it becomes necessary to add a fresh section of drillpipe, normally 30 feet long. This is done by raising the whole drilling string until the kelly is clear of the turn-table: the topmost length of drillpipe is then held firmly in position in the turn-table, the kelly is removed and a new section of drillpipe is added. The drilling string is then lowered, the kelly re-connected and drilling is resumed. The drill collars are hollow steel bars of large diameter added at the end of the drillpipe to give weight and rigidity above the drilling bit. (At a depth of 5,000 feet the entire drilling string may weigh 50 tons and at greater depths still more. Only a small proportion of this weight, however, is allowed to bear on the bit, the balance being carried by the travelling block which is controlled by a brake on the draw-works). Weight on the bit may be varied from a few hundred pounds to several tons per inch of diameter. Drilling bits frequently wear out; the average bit will last about 200 feet, but under exceptional conditions it may have to be renewed after drilling as little as two feet. To change a bit it is necessary to withdraw the entire drilling string; the drillpipe is then unscrewed in 90-foot "stands" (consisting of three sections of pipe) which are stacked upright within the derrick until the new bit is added. The drillpipe is run back into the hole and drilling is resumed.

Mud Circulation: Special mud is circulated by pumps which force it up a flexible pipe to a swivel joint at the top of the kelly. The mud is forced down inside the drilling string to the bottom of the well where it lubricates and cools the bit, and then returns to the surface between the drillpipe and the sides of the hole. At the well-head it is passed over a vibrating screen which separates, for examination by the geologist, the fragments of the formation through which the bit is cutting. The mud is then directed to a settling trough and subsequently used again.

Drilling Operations: The rate of drilling varies with the type of formation encountered and the type of bit used. Under ideal conditions drilling may average about 200 feet an hour while in exceptionally hard formations it may be reduced to less than 1 foot an hour. Various types of drills have been evolved to deal with the different types of rock formations which may be found. The speed of rotation of the bit varies from 30 revolutions a minute in hard rock to 500 revolutions a minute in soft rock; but when diamond bits are used, the speed may be even higher. The rate of drilling also depends on the diameter of the well—in a deep well a 23-inch bit is normally used for the first few hundred feet. The drilling string is then removed and a casing inserted. This casing is of somewhat smaller diameter than the hole, and is cemented in place, after which the new drill is passed through it.

An example of the way in which the diameter of the hole decreases with greater depth can be taken from the log of a Californian well recently drilled. It was started with a diameter of 17 inches and was completed at a depth of 18,754 feet with a 3½-inch bit. A typical casing programme of a fairly deep well would be: 16-inch diameter casing to about 500 feet, 11-inch casing to 4,000 feet, 8-inch casing to 7,000 feet and 6-inch casing to completion.

OILFIELD DEVELOPMENT

Following the discovery of oil in commercial quantities by an exploratory well, it is necessary to determine:

(a) the extent of the oil; (b) the limits of the gas cap which is formed by the free gas often found in oil-bearing formations; (c) the position of water which is invariably present with oil; and (d) the thickness, porosity and permeability of the rocks in which the oil is.

As these factors become clearer a proven area can be outlined. Further drilling can then be made within the proven area according to a well-spacing plan.

Wells are normally drilled perpendicularly, but when the oil lies under swamps or perhaps out to sea it may be better to drill directionally. In marine drilling, as in the Gulf of Mexico, a number of directional wells are usually drilled from one platform. If a well has missed the oil, present nearby, the bottom of the well is filled with cement and drilling is continued at an angle. A directionally drilled well can also relieve pressure at the base of another well that has blown out. If this fails, mud can be pumped down the directional well into the oil-bearing layer; the mud is moved by the escaping pressure into the blow-out well which it seals.

The development of an oilfield depends on correlating and identifying strata from well to well. This is done by the following four methods, on the results of which a sub-surface map is compiled.

Lithology: The identification of rocks or minerals obtained from core samples. Porous sandstone or some limestones are favourable for oil or gas accumulation.

Palaeontology: The determination of the age of fossils of plants and animals and, consequently, of the strata from which they came.

Electrical Logging: Different types of rock give different reactions to electrical impulses, which are transmitted from an instrument lowered down a well

and are recorded on the surface. Records of these reactions indicate, for instance, whether the penetrated strata are porous and, therefore, could contain oil or gas.

Radio-active Logging: The measurement of the radio-active properties of strata may indicate their nature and content, although the results are generally less definite than those obtained by electrical logging. In the normal course of field development any or all of these methods may be applied.

PRODUCTION

As long as the pressure at the bottom of a well is sufficient to force oil to the surface the well flows naturally. The pressure on the oil is due to gas and water, one or other of which usually predominates. Normally, newly drilled wells will flow for a time, but the quantity of oil produced will steadily decline as the pressure underground is reduced. Eventually there is not sufficient energy left to raise the oil to the surface, and artificial means are resorted to.

There are two methods: gas-lift and mechanical pumping. In the first method, high-pressure gas is injected into the well, usually between the casing and the tubing. The gas mixes with the oil and brings it to the surface. The second method, mechanical pumping, is the most extensively applied. This is simply a suction pump with a hollow moving piston. The pumping unit is a common sight on most oilfields, nodding up and down.

Finally, in the life of an oilwell, there will come a time when there is not sufficient energy left to move the oil to the bottom of the well, in which case it may be possible, by pumping gas or water down a neighbouring well, to move the oil in the required direction.

Demand and Supply—the Background

THE WORLD'S ENERGY PROBLEM

WORLD demand for energy is increasing at a compound rate and there are many reasons for planning for a situation in which this trend will continue. The consumption of energy is deeply rooted in technology and as an economic factor technology expands at an accelerating or sustained pace. Economic man would therefore be wise to plan for an accelerating demand for energy; furthermore its development and use is not in its later stages but still in its infancy. The application of energy and its measurement in quanta per head of population is a clear indication of the standard of living attained by a people. The reason, in essence, is that man by himself is incapable of doing much more than keep himself alive.

The demand which springs from an increased use of energy per head is superimposed on an increasing world population which itself is rising at a compound rate. From a world population of about 1,500 million in 1900, the population has grown to more than 2,600 million today and it is probable that at least another 1,000 million will have been added by 1980, but the rate at which energy demand is increasing, and is likely to continue, is at least three times the rate of population increase. This means that total energy demand will have increased to at least double, equivalent to about 6,000 million tons in terms of coal, by 1980. The main sources of commercial energy, capable of planned, organised development, are Coal, Oil and Natural Gas, Hydro-electricity and Nuclear. It is convenient to rate each form of energy in terms of a ton of coal, known as the Coal Equivalent, by certain standard conversions now in international usage. The course of events since

1920 in the development of commercial energy is shown in the chart on p. v, with 1920 as 100. Coal, though steadily increasing has been following behind the rapid expansion of Oil, and the rate of total demand is likely to lie higher than the recent 3 per cent curve. Oil, however, is taking such a rapidly increasing share of the burden that it alone will probably treble by 1980, and at least 2,000 million oil tons annually will be required to be produced.

COAL

Coal is not maintaining the rate of growth which man requires. The reason does not lie in shortage of reserves which at current extraction rates are sufficient world-wide for many hundreds of years. The coal that is useful to man is that which is economically recoverable and many of the easily accessible and thick seams have already been mined out. As shafts deepen and working faces recede from the shafts, temperatures rise and thinner seams have to be worked, production becomes increasingly difficult. Problems of supply of air to the working faces, control of water and the physical handling of coal to the surface become more costly to solve. Coal production is not susceptible to rapid rates of increase of output; it is a labour intensive industry and one that is dangerous and physically unattractive, and involving men rather than machines; its ability to expand rapidly is restrained by conflicting factors.

ELECTRICITY

Hydro-electricity as a basic source of energy suffers from the disadvantages of the enormous capital cost of the civil engineering works necessary, and the fact

that the hydro projects are often far from the most urgent and promising areas of electricity consumption. Once constructed it has, of course, the advantage of operating on an income source of energy, the perennial water supply, rather than capital energy from continuously exhausting mineral fuels. But electricity, whether generated thermally or by hydro power, has the limitations of being incapable of effective storage and requires a permanent, expensive and specialised system of connection between the user and the generator. This inevitably limits its flexibility in use.

OIL

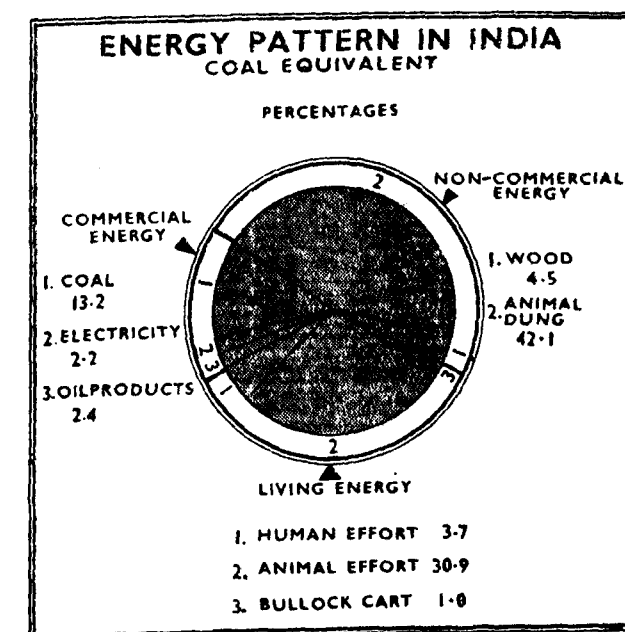
Complementary to the other two main sources of energy is Oil, which possesses two enormous advantages: Firstly, that it is a liquid, and secondly, that it has a calorific value from 1½ times to double that of coal. A liquid is capable of being handled accurately and quickly, from the thousands of tons a day pumped through vast pipeline systems to the minute accurately metered quantities pumped at high pressure through the injectors of a diesel engine. Oil is packaged and transportable power in its most convenient and flexible form and lends itself most suitably to refining, chemical conversion and quality control through the complex system of technical preparation. It is this flexibility and the ability of the organisations that handle oil to move rapidly to meet demand that are the reasons for the steadily increasing share of oil in the energy pattern.

RIISING OIL DEMAND IN INDIA

In India internal demand from 1948 to 1955 rose almost exactly 100 per cent. This rate of expansion is typical of rates in other developing countries. It is customary to exclude the Soviet sphere in detailed studies as documentation has not been available, and including USA, the world consumption rose about 70 per cent in the same period. The volume of consumption in the USA amounted to above 65 per cent of the total and therefore has rather a heavy weighting effect.

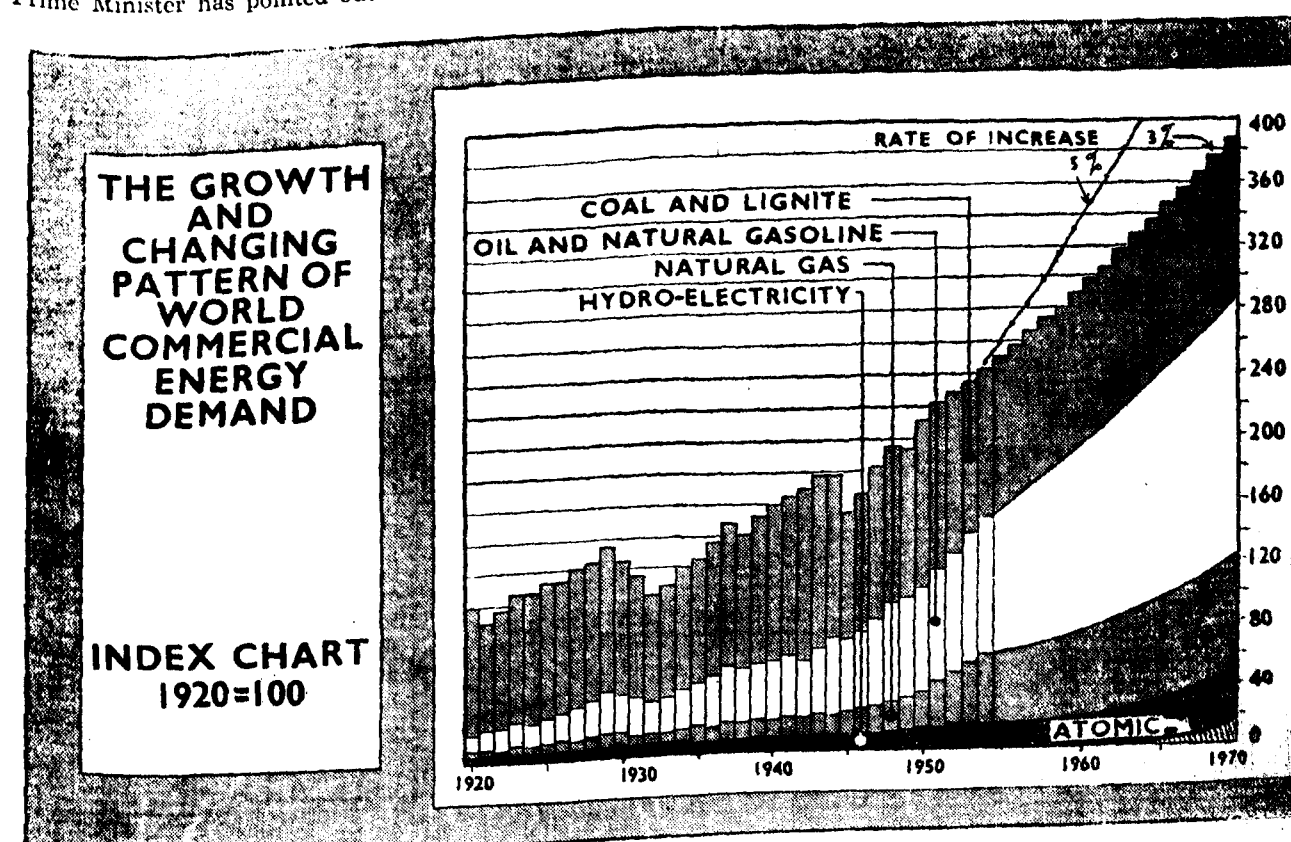
For comparison, from 1948 to 1955, despatches of coal in India rose some 44 per cent. The picture in India of energy consumption is unusual, and as the Prime Minister has pointed out on a number of public

occasions, the country is still powered in the main by cowdung. It has been suggested that the total energy consumption in terms of coal equivalent is as shown in the diagram below:



Several interesting points emerge from a study of this problem, one is that the 'non-commercial' energy goes mainly to domestic use, the population is outstripping natural supply and the shortage is being accelerated by the drive to return cowdung to the land through National Extension Service education, a most essential and desirable step if the soil is to be revitalised. To fill the gap is a country-wide problem which neither electricity nor coal can solve for obvious reasons of geography, suitability and transport.

The most flexible source of power is oil, and it is perhaps a tribute to the foresight of the oil companies that so much capital has been sunk in building up the vast distribution network that services the country, and is capable of handling great increases in demand. Another important point is the severely limited contribution that can come from human muscles.



Compared with India's consumption of commercial energy, 0.1 tons of coal equivalent per head per annum, the USA consumes 100 times that amount, the UK 60, Russia 30, and the world average 12 times.

THE SUPPLY PROBLEM

The development of the availability and the technology of using energy is fundamental to India's progress. The trigger effect on the economy of applied power is out of all proportion to the original cost of that power, an effect that is frequently overlooked. It is important to ensure that all forms of energy are harnessed and developed in harmony—and this is an important point—without imposing unnecessary brakes on development by requiring the use of an unsuitable source for a particular purpose for reasons of sectional interest.

All the natural resources of raw material and food potential may lie before you in abundance but they cannot be touched without the organised application of a suitable source of energy. It is to be hoped that the efforts of all the parties involved in a search for oil resources in India will eventually discover and develop production of ample quantities. Until then, doubts have been expressed about the advisability of using petroleum, in view of the strategic dangers that might lie in dependence on supplies that are not wholly indigenous.

It is important to get this problem into perspective. India is so placed geographically and politically that there is no foreseeable set of circumstances which could deny India the sea-borne supplies she requires for many years ahead. The sources of alternative supply and transport are too numerous and internationally spread, and the world proven oil reserves are still gaining ground on production.

In the context of the availability of foreign exchange for import of petroleum, the problem must be critically examined in the resultant effects on the economy of the expansion of the production of goods

and services, and the expansion of ability to earn further foreign exchange. Rising productivity is the key to improved standards for all, and the application of energy is the key to production and rising productivity, especially in India where traditional methods have reached the limits of their productive capacity.

WORLD OIL RESERVES

In view of the steady expansion in the demand for energy also the relatively greater share in this total which oil is providing, it is necessary to ask the question whether or not the oil reserves of the world will stand up to this enormous drain. A clear distinction must be made between what are called proven reserves on the one hand and the total estimates of ultimate recoverable reserves on the other. Proven reserves are a calculation of the known quantities in fields already discovered which under existing conditions can be produced by present-day methods of extraction. This calculation produces a current figure of about 170,000 million barrels (25,000 million tons). Set against foreseeable rates of annual consumption, these proven reserves will be exhausted about 1975.

The total estimates of recoverable reserves show a different picture. They cover as well undetermined amounts of oil which are known to exist outside the so-called proven areas, and also large amounts still awaiting discovery in the extensive potential oil-bearing areas of the world. What is most significant is that every time this estimate has been made it is higher than before. An estimate produced in 1945 assessed total oil reserves world-wide at 485,000 million barrels (70,000 million tons). In 1954, the world's ultimate recoverable reserves were placed at 600,000 million barrels (85,000 million tons)—and both these estimates excluded the Continental Shelves. Recent data suggests that if the position were looked at again, the estimate, including the Continental Shelves, would, on present knowledge, come out well in excess of 1,000,000 million barrels (140,000 million tons).

April 27, 1956.

These steadily increasing estimates parallel the actual production experience of the industry, for, year by year, the rate of discovery has been and continues to be considerably higher than the rate of withdrawal. This is strikingly demonstrated in the chart on the previous page which indicates production, reserves and accumulative production to date.

This shows how the average annual increases in proven reserves have exceeded the average annual pro-

duction. That cannot go on for ever but, with our other evidence, it establishes that we can safely expect the ultimate recoverable quantities of oil in the ground to prove large enough to meet the increasing needs of the world economy as it moves into the age of atomic power. That is as far as prediction can go for there is still much not yet revealed to us, as for instance the possible large-scale production of liquid fuels from other sources, and the expansion of the uses of atomic energy to a widening range of application.

Marketing and Distribution

Distribution Agencies

THIS part of the oil industry differs from the others in several ways. Although fairly large capital investment is necessary to set up a distribution and marketing company, this is relatively small compared with the capital investment required for exploration, production, refining and ocean transportation. The risks involved are normal commercial ones and, unlike exploration risks, are reasonably easy to assess in advance. It is for these reasons that we find many hundreds of companies engaged in the distribution and marketing section of the oil industry, or many thousands if we include the USA.

As background to the marketing situation, it is important to appreciate that, although the outlook for oil demand is extremely buoyant, supplies are currently well ahead of demand. They are likely to remain so, so long as the various companies engaged in exploration, production and refining are left free to follow their present policies. The fact that oil supply is ahead of demand means that all marketers are keen sellers—of demand particularly those big companies with potential surplus of products. This naturally leads to keen competition in the markets on prices, quality and service. It also leads to very good coverage of the markets. The big companies, in order to achieve the big sales which they want, penetrate to every corner of the world. Even consumers in very remote parts of the world should be able to find at least two or three companies keen to compete for their business. It is said that in some parts of the world oil is actually more readily available than water.

Any marketer, large or small, must have a distribution system consisting of ocean terminals, up-country depots and service stations. Further in order that the marketer may be competitive on prices and service, it is essential that the distribution system should be very efficiently organised. However, no matter how efficient the distribution system is, and no matter how good the marketers' products are, it must be appreciated that oil cannot be successfully sold from an office chair. Thousands of sales representatives are continually engaged in covering the markets on behalf of the various companies—and they travel millions of miles every year, using every conceivable form of transportation, ancient and modern. Although "salesman Sam's" efforts have not been generally publicised, they are just as essential, and just as picturesque, as those of his exploration colleague at the other end of the line.

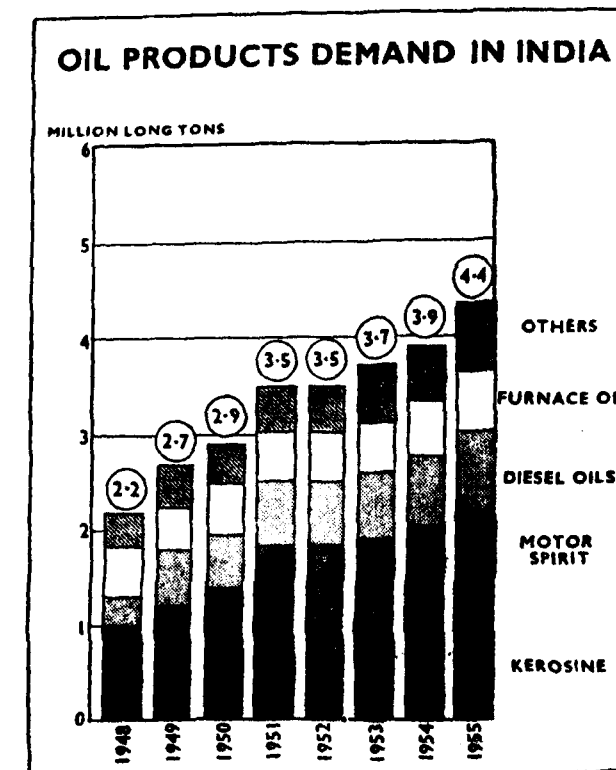
THE PATTERN IN INDIA

In view of the size of the country the marketing and distribution methods necessarily follow different patterns to that of smaller, more highly industrialised countries of the West. When setting up the distribution system in India, it has been necessary to recognise that the major quantity will be carried by the railways, that the possibilities of large-scale assistance through tank-road transport are limited, that consignments by tank-wagon, or boxwagon, may take as long as a fortnight

to reach the farthest points, and that oil products may have to be transhipped from one railway gauge to another. Furthermore, there are wide fluctuations in demand between seasons, and in some cases, whole areas are sealed off by the monsoon and suitable stocking arrangements have to be made before the onset.

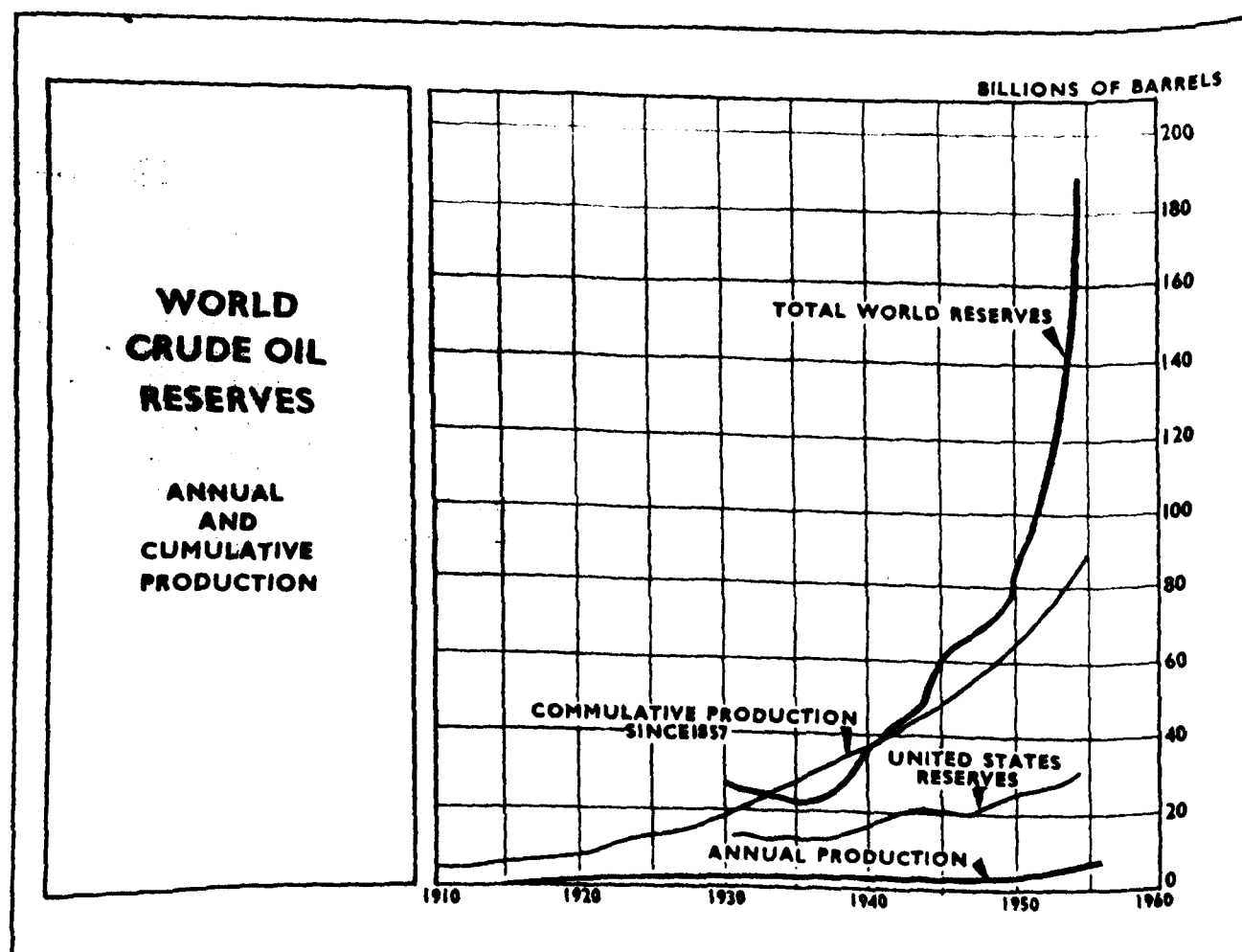
All this means that extensive stocking points must be established all over the country—at railheads, big towns, railway junctions, transshipment points, and coastal ports. These depots contain bulk tankage for the complete range of products required and adequate cover to tide over periods of seasonally difficult supply. The organisation of supply is therefore no small task and the physical network to cover the country is costly, indeed, by normal marketing standards. But the groundwork has now been covered by the detailed work of many years, the facilities required are in and steadily expanding, the co-operative effort with the railways is working smoothly and the system is ready for any expansion that may be required.

The actual rate at which demand has been increasing and a broad split between products is shown in the chart below.



After the oil has been despatched from main port coastal installations, or refining centres, to the depots the oil companies have to make arrangements for supplies to reach consumers over the more than half million villages of India. In view of its dangerous nature, the oil companies supervise the distribution of petrol, generally in their own bulk road vehicles, to the petrol station tankage.

Otherwise in general the oil moves on through a wide and pervasive network of thousands of agents



and dealers. Most of them have equipment owned by the companies entrusted to their care, whether it be tankage, godowns and filling machines for kerosine and diesel oil, or petrol stations with full facilities. These agents and dealers are not employees of the companies, but business men working in association. Their local influence is great, and they often combine other busi-

ness of their own with the distribution and sale of oil products. As a result the agents and dealers have seen their business grow up with that of the oil companies over the years, and in many cases have had cordial and friendly dealings with the companies' staff over several generations.

The World Tanker Position

WORLD Crude Oil production in 1955 was 792 million tons and a heavy proportion of this tonnage moved in international trade, as well as subsequent movement of a proportion of refined products. To match this demand the tanker fleets of the world, moving both crude and products, have now reached a figure of about 41,000,000 tons deadweight. The t.d.w. figure is calculated relative to a tanker of a certain size and speed (the T. 2 equivalent) to provide a uniform basis for comparison of effective transportation potentials in terms of both physical volume and speed. Recent writings have shown that remarkable misconceptions exist on the organisation and function of this vast fleet, and in view of the heavy financial outlays necessary it is essential to maintain an objective view of the problems involved.

OWNERSHIP AND COMPETITION

The ownership of this fleet has a very broad base involving scores of companies and individuals in many countries and indulging in intense competition. Of the total only some 34 per cent is actually owned by oil companies, both large and small. One typical major oil company finds it necessary to operate about 7 million tons of tanker tonnage to meet its international commitments but of this tonnage owns only 2.5 million tons, the balance being obtained on the free world tanker market on long-term charter, short-term charter, or spot voyage market rates. One private tanker owner from the Middle East area who owns a fleet of tankers registered all over the world and now approaching a tonnage of 1.7 million tons operates his tonnage roughly 40 per cent on long-term charter, 25 per cent on short-term charter and 35 per cent on the spot market.

The competitive nature of the oil business provides the incentive to continuous reduction of costs, by greater efficiency of operation at all stages, to maintain the prices of oil products as low and stable as possible. In view of the wide spread of ownership and the free trading conditions which are a feature of the tanker business, it is not surprising that tanker operators' margins are squeezed in the grip of this competition. There is no mystery in the tanker freight markets of the world, where the charters and offerings are handled by ship-broking companies of many nationalities whose names are known and respected in international commerce. Nor is there any mystery in the stabilising effect on the price structure of oil products inherent in the low rates of long-term charters compared with the wider fluctuations of the spot market rates.

SUPPLY AND DEMAND

It is a matter of historical fact that no oil shortage of any note has occurred in the world in any country, attributable to a shortage of sea-borne capacity to carry oil. The competitive nature of the tanker business and its complete freedom from monopoly has provided the supply of physical tonnage required, and the stable freight rates over long periods of time bear witness to the fact that increased efficiency of operation is avoiding the necessity of passing on to the final oil consumer the rising floor of replacement costs, wages and salaries and consumable stores involved in tanker operations. The c.i.f. values of oil products to India are in no way disadvantageous compared with the relative position of other countries, a fact which is well known to the Go-

vernment of India and naturally is under continuous review in the normal course of business by all parties concerned.

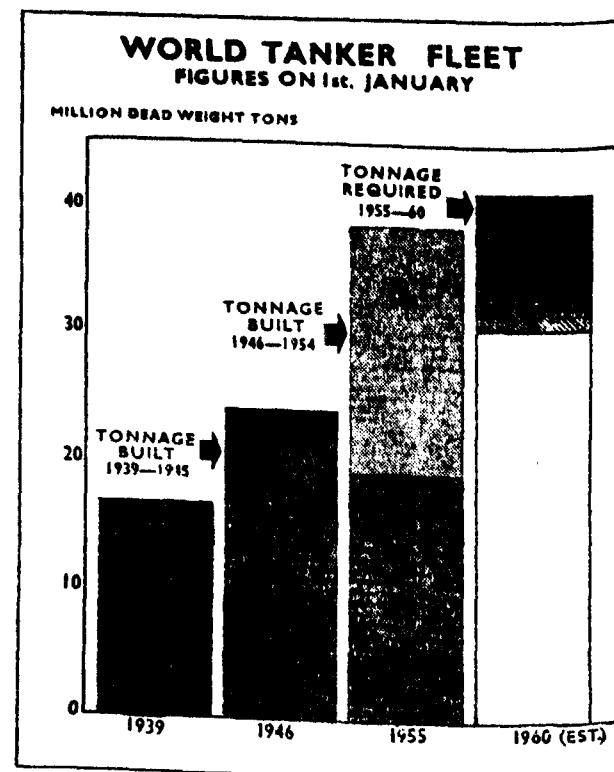
NEW DEVELOPMENTS AND COSTS

It is axiomatic to those concerned with the movement of goods that costs bear an inverse ratio to the volume handled at any one operation. This is most certainly true in the tanker business and explains the trend towards the so-called 'supertanker' of 30,000 tons d.w. or over.

These large ships are costly, have a high speed, and by virtue of their size are limited in their use by the depth of water and other physical conditions at possible discharge points. But they have a lower basic cost of transporting oil and therefore provide the "base load service" in this competitive business and are responsible in no small measure for the success being achieved in the fight to hold down oil costs against other rising costs of operation.

The world's supertanker fleet has grown from eight vessels in 1950 to 103 ships in 1955, a total of 23 tankers over 30,000 tons has since been launched, but not yet completed, while another 227 vessels are on order and under construction. The average size of the super-tankers on order is 35,550 tons compared with an average of 32,560 tons for the supertanker fleet at the end of 1955. Tankers of more than 45,000 tons are now being operated and orders have been placed in Japan for two vessels of 84,000 tons each.

The picture is one of a restless struggle for technical efficiency, with tankers rendered obsolete with determination as soon as their age and design threaten to impede their competitive power, a process which is illustrated in the diagram below, which also shows how increasingly large tonnages of oil per ton of tanker are being carried due to increased speeds and reduced turn round times.



The cost of additions and replacements to the tanker fleets is running, and will continue, at an equivalent of not less than £200 million sterling per annum.

"FLAGS OF CONVENIENCE"

Those who operate ships are well aware of the difficulty of accumulating the finance for prompt and effective replacement of their obsolete tonnage, and of making financial provision for additions to their fleets. This is particularly true in the competitive world of the tanker owners, and has driven them to seek special means of reducing costs. One solution has been for some owners to register their ships in certain countries where little or no taxes are payable and they are free from legislative restriction. These are the so-called "Flags of Convenience" notable among whom are Panama and Liberia. They now lie fourth and fifth in the shipping tonnages of the world with around four million tons each.

Registration of ships in these countries is a mere formality, the payment of a nominal fee, together with an accommodation address for a registered office in Panama or Monrovia, for example, is all that is required. Of obligations there are none, since these countries do not have any body of shipping legislation and are signatories to very few, if any, of the international maritime conventions. This does not mean that safety regulations, for example, can be evaded under these flags, for no underwriter would insure a hull which did not comply with standard specifications,

such as those of the Lloyd's register. The advantages of such registration are mainly fiscal and partly operational.

In normal competitive conditions on an international shipping market, the cost of running a ship is roughly the same for all flags. The only difference, which is now of major importance, is the level and method of taxation between ships of one nationality and another. The owners of a ship registered in the United Kingdom, the USA, Norway, or Greece, are now taxed to the hilt and hedged with restrictions and the problem of flags of convenience is now of major importance to operators based on those countries.

India, if she wished, could adopt the same policy as Liberia and achieve the same startling increases which for Liberia meant a doubling in 1954 alone from 1.6 million tons to 3.2 million tons. But it would not carry with it any significant revenue whatever, or ownership, or operational responsibility by Indian nationals. The suggestion is not made seriously, but to remove certain prevalent misconceptions, and is obviously impractical in a country with a maritime history and active shipping lines which contribute to the country. The carriage of oil internationally is operated on a wide base with the spread so wide and over so many sources that the risk of interruption of supplies to any point at any time is extremely low. The capital costs involved and the returns are such that it is prudent to examine with care whether diversion of resources from more productive effort is truly worth while.

Refining and Supplies to India

FUNCTION OF REFINERY

CRUDE Oil, as it emerges from the ground, is a complex mixture of hydrocarbons, solids, liquids and gases with many different properties. The function of the refinery is to split up the crude oil into products with commercial value such as motor spirit, kerosene, lubricating oils, diesel oils, furnace oil, bitumen, etc. The first main stage in the processing of all crudes is their division by distillation into groups of similar hydrocarbons called "Fractions" which consist of products whose boiling points all lie within a narrow range. The crude oil is heated and passed through tall, vertical, cylindrical metal towers known as fractionating columns. Equipment of this nature is now a familiar sight to those who have visited the refineries in India of Burmah-Shell and Standard-Vacuum in Bombay and the Assam Oil Company at Digboi.

But the natural yield by volume of products by a simple distillation process like this is unlikely to match the demand from the market and means were discovered of altering the oil fractions to change the yield and composition, and in addition to changes in the yield these processes are capable of making notable improvements in the quality and performance of the products. These processes use heat and pressure (thermal cracking), or chemical catalysts (catalytic cracking), or combinations and variations such as Reforming, Polymerisation, Isomerisation and Alkylation.

THE INDIAN REFINERIES

To the Assam Oil Company must go the distinction of setting up the first refinery in India. This Company has associations with India extending back well over half a century and their refinery at Digboi first went into production 36 years ago. It was erected to process the oil from the Assam fields which are today providing about 8 per cent of India's total requirements.

In the past it has been the practice to locate large refineries adjacent to the main producing areas. One

good reason for doing so was that it avoided the cost of shipping the volume which is unavoidably lost and burnt in the refining process. Since the war, this practice has changed and more and more refineries are being erected in the areas of consumption.

A survey of possibilities and suitable locations for refineries was undertaken by the major oil companies in India in 1948, and subsequently agreements were made between the Government of India and the Anglo-Saxon Petroleum Co., Ltd. and the Burmah Oil Co., representing the Burmah-Shell interests in India, the Standard-Vacuum Oil Company, and Caltex (India) Limited for construction of the refineries.

The Burmah-Shell Refinery at Trombay is the largest in India with a capacity of about 2 million tons, followed by the Stanvac Refinery at Trombay with about 1 million tons capacity, and Caltex at Visakhapatnam which will have a capacity of about 700,000 tons per annum. The Burmah-Shell Refinery and the Stanvac Refinery went on stream in early 1955 and mid-1954 respectively, the agreements having been reached towards the end of 1951 and construction getting into full stride in 1953. The Caltex Refinery is expected to start operating in early 1957 and the total investment between the three will be at least Rs. 60 crores. These refineries are of the most modern type and include plant for the most advanced techniques of catalytic and other processing methods.

The advantage to India of these refineries is very great and they are making extensive contributions to saving foreign exchange. They are playing their full part in providing employment, and these gleaming silver industrial cities are associated with comfortable workers' housing colonies. They are providing the knowledge to India of a new technology and offer the possibilities of associated industries involving chemical and fertiliser manufacture from the products of the plants.

more or less simultaneously, thus suggesting some form of concerted action. In reality, however, this reflects a set of conditions in which, as in many other industries, price leadership by one large concern impels others to follow in order to maintain their competitive position. Financially weakened companies cannot hold their place in an industry against financially strong ones. Identity of price is at least as likely to indicate competition as any lack of it.

Four main reasons may be cited why in some markets the retail prices of motor spirit tend to be identical. First, they are all related to world market prices, changes in which are simultaneously known to all suppliers. Second, the unit of sale of gasoline is small (gallon or litre) and the profit margin per unit exceedingly small, affording very little scope for worthwhile price-cutting without incurring a loss. Third, there is a high degree of consumer loyalty to the various brands which minor differences in prices would not seriously disturb. Fourth, competition between all major suppliers is so intense, and so highly matched in all other respects, that they are all influenced similarly by changes in the various costs which are reflected in their selling prices. Consequently, price changes, upwards or downwards, by one concern are usually quickly followed by others who realise that if they do not follow their possible gains will be more than offset by losses in other respects and they will therefore lose competitive strength. Thus similar prices are not the result of collusion—in which, in any case, US oil companies at home or abroad could not indulge as this would offend US anti-trust laws—but the consequence of the determination of each major supplier to match his competitor, and the belief, based on experience, that all major competitors will in fact do so.

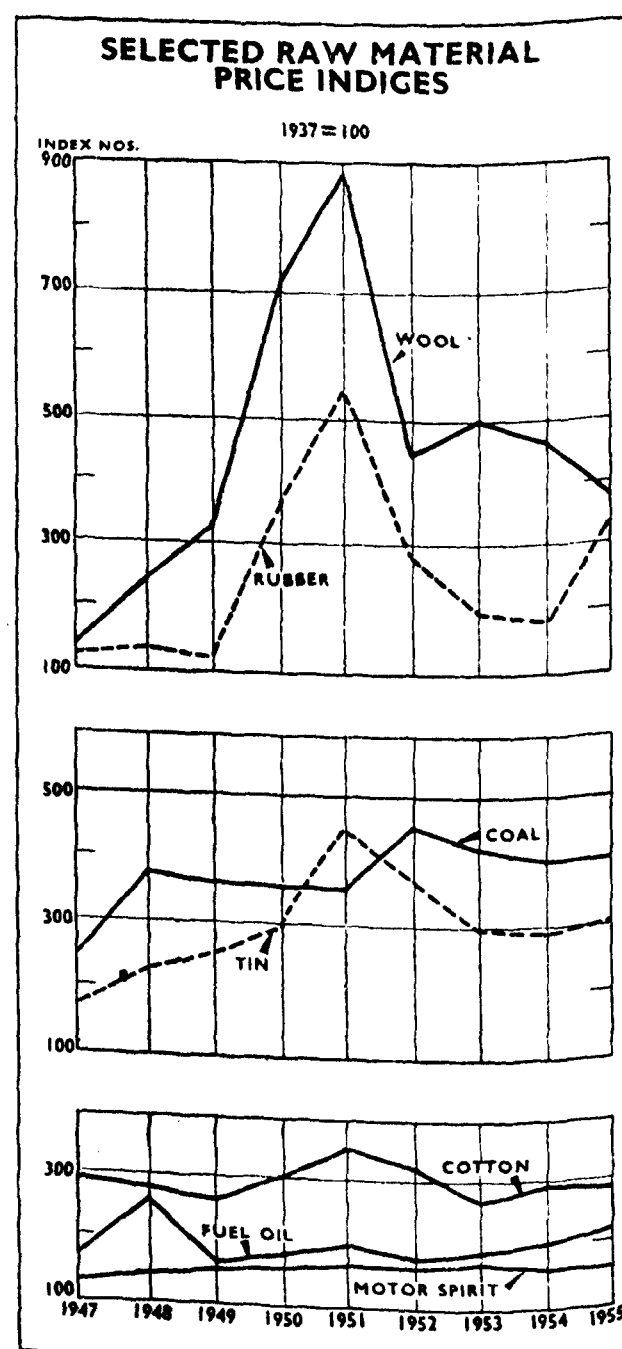
Price is the factor which is most in public view. And though prices for similar products may not vary very much, if at all, it is well to remember that as a consequence of sharp competition in the oil industry, oil prices have in general risen very considerably less than those of other commodities, while the quality of products has invariably improved. Oilmen vie with each other in many widely different spheres. The cut-throat competition in the US oil industry is proverbial and brought it near to disaster in the '30s. Allocation by State authorities has mitigated this extreme competition, but in all phases of the US oil industry competition remains sharp and even bitter. It is the main-spring of the highly exciting activity which characterises the industry there.

But whether in the USA, or elsewhere, all oil concerns strive against each other in every type of operation. Each concern seeks the most promising lands for exploration, and will bid heavily against others for proven, semi-proven, or even unproven areas. Each seeks also to have the most advantageous sources of crude oil and the most advantageous location of refineries in relation to its established markets, or in relation to markets it intends to enter. Favourable costs in this phase of operations give competitive strength. The quest for lower costs is manifested, too, in continuous investment in new and still more efficient facilities of all kinds. For example, investment in modern tankers keeps down costs, and no major company can afford to sustain higher costs through the avoidable running of obsolete ships. Investment in new retail selling points eventually brings lower unit costs, as well as improving service to the customer and, in an expanding economy, offering the promise of higher sales. The extensive and costly research that lies at the back of all oil industry activities is also highly competitive both in origin and in practice. Through research, each concern seeks to make ever better use of its raw material, to improve its processes and so reduce

operating costs and, above all, to improve its products and to be first in the field with suitable products for new needs. Dominating all functions, there is a continuous battle of managerial wits and skill to maintain and improve each concern's competitive ability.

PRICE LEVELS

The basic price levels of oil products have remained remarkably steady and compare favourably with the indices of price movements of the other world's basic commodities as shown in the charts below of the price movements of certain basic world commodities with 1937 as 100. To the general public these facts are clouded by the distortions produced by oil acting widely as a medium for heavy government taxation. It is a fact that no other basic commodity in the world—steel, food, cloth, building materials, coal, etc.—carry anything approaching the taxation imposed on the people through the medium of oil.



Many consider that this policy is fundamentally wrong and that the growth of world prosperity has been materially retarded by imposing this fiscal brake on the growth of the use of the most flexible source of world energy. As an illustration of this we quote below the facts revealed in the balance sheet of one big international group for 1954:

April 27, 1956.

OIL INDUSTRY SUPPLEMENT

xiii

Group total net income	£ 134 million
Total taxes paid on income	£ 102 "
Additional sales taxes, excise duties,	
other levies paid	£ 406 "

Of the net income only £27 million representing less than 1.5 per cent of total turnover was distributed as dividends and the remainder of the net income was ploughed back to meet expanding demand. The fiscal

taxes, other than income-tax, amounted to about 22½ per cent of total turnover.

The member of the same group of companies operating in India found that the equivalent taxes in this country were running at 25 per cent of turnover. The magnitude of the figures for duties and taxes shows the burden which the industry carries as a major tax gatherer for governments, and as it amounts in effect to an interest free loan for what is often a considerable time, the strain on fluid resources and operating capital is very considerable.

Notes on Oil Products

1-PETROLEUM CHEMICALS

PETROLEUM chemical manufacture is a relatively new but rapidly developing branch of the established oil and chemical industries. During the last fifteen years world production of petroleum chemicals has grown from less than half a million tons per annum to over ten million tons per annum, and the scope for future development is still enormous.

The principal raw materials for petroleum chemical manufacture are refinery by-products—mainly refinery gases—and natural gas, materials some of which at one time were actually flared off as waste. A wide variety of valuable chemicals is now built up, step by step, from these economically attractive basic materials.

Roughly two-thirds by weight, and about 90 per cent by value of all finished petroleum chemicals fall into the organic category—that is to say, they are compounds built up on "frameworks" of carbon atoms. Hundreds of different organic chemicals are now produced from petroleum raw materials. Many of these compounds were manufactured from other sources—vegetable, animal or coal—long before petroleum entered into their production, and today organic chemicals based on petroleum compete with their counterparts made from these older-established raw materials. A typical example of such competition is to be found in the market for ethyl alcohol, an important organic chemical formerly produced solely from vegetable materials such as molasses and grain and now manufactured on a large scale from petroleum also.

Although inorganic petroleum chemicals are produced in large quantities, they have much lower unit values than the organics, and are thus of considerably less importance. The scope for petroleum is restricted in this field, its only really outstanding contributions in this field, its only really outstanding contributions in the being carbon black (used in great quantities in the rubber tyre industry), nitrogenous fertilizers, sulphur and sulphuric acid.

The early development of the petroleum chemical industry took place in the U.S.A. The enormous increase in demand for motor spirit in that country during the twenties and thirties led to the development of thermal and catalytic cracking processes in the refineries. Large quantities of olefinic gases—potential raw materials for chemical manufacture—became available as by-products of these cracking operations, and intensive research soon led to the establishment of processes using such materials, notably in the manufacture of solvents. A parallel development was the establishment of nitrogenous fertilizer manufacture using the cheap and abundant natural gas available in many U.S. oil fields.

The second world war gave the petroleum chemical industry a new impetus and enlarged its scope, but progress was still confined almost entirely to the U.S.A. The demand for chemicals of all types increased greatly, while traditional sources of imported raw materials

were cut off or reduced. As one example, U.S. consumption of natural rubber was down to one-fifth of its pre-war level by 1945, while requirements increased rapidly. However, the petroleum chemical industry provided essential raw materials for the enormous production of synthetic rubber which made good what might well have been a disastrous deficiency.

Since the war, the petroleum chemical industry has gone from strength to strength in the U.S.A., where about three-quarters of all organic chemicals are now based on petroleum. Outside the U.S.A., the manufacture of chemicals from petroleum has been essentially a post-war development, although the first venture in this field, a synthetic detergent plant in the U.K., came into production as long ago as 1942. During the first five years after the war, petroleum chemical production in West Europe was relatively small, reaching about 100,000 t.p.a. in 1950. Since that time tremendous strides have been made, and today W. European output is of the order of one million tons per annum.

Petroleum chemicals reach the consumer in countless forms. Reference has already been made to chemical solvents, which are used primarily in the manufacture of paints and lacquers, as well as to synthetic detergents, synthetic rubber and fertilizers. Large quantities of petroleum chemicals are also consumed in the manufacture of plastics and synthetic fibres, two particularly fast-growing sections of the organic chemical industry.

For the future, it is clear that the world chemical industry must depend to an ever-increasing extent upon petroleum as a raw material, and that the growth of petroleum chemical manufacture—a remarkably dynamic section of the oil industry—will continue at a high rate for many years to come.

The Industry in India

In India the petroleum chemical industry is rapidly establishing itself as a major supplier of industrial, agricultural and public health chemicals. One of the largest oil marketing organisations in the world, itself the leader in the petroleum chemicals field, is now actively engaged in chemical marketing in India.

While imports of finished petroleum chemicals are necessary in the initial stages, the emphasis in planning has been, and will continue to be, on manufacture within India wherever possible. Even now many of the chemicals previously imported in their finished state are coming in as technical material to be manufactured here into ready-for-use chemicals. The next stage will be the manufacture of petroleum chemicals from raw materials available from the refineries, and new developments along these lines are taking shape already which will undoubtedly have an important part to play in the progress of Indian agriculture and industry.

It is not necessary to look very far ahead to see local production of many of the chemicals mentioned

earlier becoming a normal feature of the Indian petroleum industry.

II—THE MAIN OIL PRODUCTS

In the section on "Refining", reference was made to the complicated range of products that can be produced by the distillation and chemical processing of crude oil. In the following notes we start with the lightest fractions that are taken off the columns of the plant, at the gaseous end, and work downwards to the heavy products.

GAS

The gaseous yield is a complex mixture of chemicals which can be separated and used in part as fuel or converted into a remarkably wide range of chemical products, developments which have already been referred to in the section on "Petroleum Chemicals".

One of the gases, butane, with the chemical composition C_4H_{10} , is particularly suitable for use as a domestic or industrial fuel. It can be liquefied at moderate pressures and stored in steel cylinders. By opening a valve on the top of the cylinder the liquid can expand into a much greater volume of gas, and passing through a regulator to control the pressure, is piped to the using appliance. The liquefied gas is "bottled" in neat two-foot high cylinders holding 31 pounds of gas with the high calorific value of 30,500 B.T.U. per pound. The equipment is so clean and efficient that one-fifth of the population of the United States uses it for cooking and eleven million families in Western Europe. It is being produced and bottled at one of the refineries in Bombay and is already available in some parts of India. The gas can also be bottled in larger steel containers for special applications in industry.

AVIATION FUELS

Aircraft are propelled either by spark ignition piston engines driving propellers, or by gas turbines. The latter may produce their driving force in the form of a pure jet of hot gas, or in combination with a propeller producing part of the drive and a jet of gas the remainder. The aircraft flying on India's internal and external air routes are still largely powered by piston engines; the principle on which these engines operate is similar to the petrol car, but there the similarity ends. The engines in an aeroplane operate in the thin, upper air and in conditions of extreme cold as well as in the heat of ground level, and this requires very tight specifications for certain properties that are essential for safety. In addition the performance of these engines is so high that very special fuels are required. In fact these engines would never have been built if the special fuels had not been developed.

The gas turbine powered aircraft run on a distillate fuel in the middle of the range of products, of the kerosine type, but the requirements of quality and performance are just as rigidly controlled as aviation petrols. It is very obvious from the nature of flight that the overruling consideration on this side of the Oil Industry's activities must be safety, and the service it renders to aviation is one of the more exacting aspects of its work. Fuelling crews are carefully trained to understand the consequences of mistakes and a very rigid system of quality control is imposed throughout the entire distribution system, ship-shore-transport-airfield, to ensure that the products supplied are on-specification at the time of delivery.

This is not so simple as it sounds. There are five different grades of aviation fuel in normal use and three main grades of aeroengine lubricating oil. Each type of aircraft requires its own combination of the two and to deliver the wrong one could be fatal. Moreover, in

the course of storage and transportation there are various opportunities for contamination by water and dirt, all of which must be guarded against every hour of every day of the year.

The consequences of error may be engine failure and disaster, and the responsibility is very great.

The ubiquity of the service is in itself of considerable interest. At over 2,000 airfields throughout the world, fuelling crews with their specially designed equipment are ready for the service of the aircraft. India alone accounts for some 60 or so of the world's airfields in regular use of civil airliners, and operation on the ground must be carried through with the minimum of delay. The airfield equipment problem is a science in itself and under constant development. In several of the airfields of India the tank lorry is being replaced by high pressure, high capacity, underground pipeline hydrant systems that conduct fuel direct to the aircraft on the airfield aprons.

MOTOR SPIRIT

Petrol is one of the most familiar products to the general public and in association with kerosine needs no introduction. The chain of filling stations throughout the country is numerically balanced between the need to provide the public with stations at which they can buy their favourite brands at distances apart which are not too great for convenience, and a spacing which will allow the dealers enough sales to make a reasonable profit. "Service" stations now provide more elaborate facilities for car service and repair and goods for sale which are required in the normal running and maintenance of cars and lorries. Suitable stations are now providing facilities for rest, toilet and refreshment to the traveller.

The actual quality of the motor spirit is steadily rising and manufacturers of motor cars are now fitting engines with compression ratios higher year by year, giving greater economy and efficiencies and fuels suitable for these higher compressions are being provided in step with demand. Intensive research in the laboratories of the oil companies has yielded much information on the nature and difficulties of the process of burning petrol in engines. Having diagnosed the difficulties, further research has revealed chemicals and additives which cure or inhibit these troubles, which when added to the petrol improve performance and economy.

KEROSINE

Kerosine has the largest volume of sales of all petroleum products and is ubiquitous throughout the length and breadth of the towns and villages of India. In other countries it is unusual for kerosine to have such a high proportion of the trade, but in India the size of the country and the difficulties of providing alternative sources of light and heat will maintain this situation for a long time to come. It is apparent that kerosine will be forced to take a greater part in the cooking, or domestic heat supply, in view of declining supplies of traditional domestic fuels relative to the population.

Jet aircraft and turbo-propeller aircraft also burn a fuel of kerosine type, of a carefully controlled quality. The rise in demand for this purpose caused by the rapid technical development of this type of machine has made it necessary for the oil companies to make extensive alterations to the pattern of products turned out by the refineries to meet the changing conditions.

DIESEL OILS

Diesel oils are used in compression ignition engines. The characteristic differences between the petrol and the diesel engine are that the latter has no sparking plug and the mixture is fired in the cylinders by the heat

April 27, 1956.

of compression, and it also has no carburettor, the diesel oil being injected direct into the cylinders under high pressure and in small quantities in the form of a spray, pressure being applied by a pump.

Diesel engines are of two main types, each of which requires a particular kind of diesel oil. First, low speed engines which provide the motive power in many factories, large electric generating sets, workshop and some marine craft. These engines are also widely used for water pumping engines and for the engines of rice and flour mills, oil mills and cotton ginning factories. The oil they use is called Light Diesel Oil in India. Secondly, High Speed engines which are familiar to the public in many of the buses and lorries now running on the roads. These engines are also used in tractors, earth-movers, bulldozers, etc., and in the lighter forms of stationary engines such as air compressors, welding sets, pumps, mills, generator sets and high speed marine engines. The fuel they use is a more highly refined grade called High Speed Diesel Oil.

It can be expected that engines running on diesel fuels will make a notable contribution to the progress and development of India. On the roads they provide the most economical power units for transport, and it can be expected that road services will play a greatly increasing part in supplementing the railways in moving the goods and products of the country. As the road network improves this type of transport will be the only effective means of bringing the villages of India into commercial contact with each other and the rail-heads, and will assist the vital flow of goods and services.

Industrially the diesel engine provides the power that can help the village. The distances of India are so great and the distribution problem such that the spread of electrification will take time. There is a valuable service which can be provided by diesel engines generating the power for a village on the so-called "Nursery Schemes" in which the demand for electricity is built up and satisfied by portable units ready for the grid distribution to move in. The portable unit then moves on to another village and provides power for minor manufacture, water pumping, light, and driving the looms and spinning machines of cottage industry.

FURNACE OIL

Furnace Oil is essentially an industrial fuel, to provide process heat, and to burn under boilers. It is widely used to raise steam for process work, the driving of ships and the generation of electricity. It is, therefore, a complementary fuel to coal, but even where coal is abundant and cheap there is a promising market for furnace oil as it has certain advantages. As a liquid it can be easily stored, handled, and measured, it has a high calorific value nearly double that of most coals, and is economical to use as efficient installations can be designed for this type of fuel, it is flexible in use and the rate of heat output can be altered quickly, eliminating the fuel lost in lighting and banking coal furnaces, and is economical in labour charges. It plays a vital part in India particularly in areas more remote from the coalfields of the East and for particular applications.

LUBRICANTS

Technology now requires, and in its turn has produced, an astonishing range of lubricants for particular purposes and conditions of service, both automotive for vehicles and industrial. Modern machinery now requires lubricants to stand up to conditions which would have been impossible a few years ago, before industrial research discovered a complete range of oil additives which confer ability to resist extreme pressures and undertake many protective functions to the machines. The complete range of oils and greases sold by an oil company would exceed 400, each for particular condi-

tions of service, and include many not directly connected with lubrication such as oils for metal working, heat treatment, jute batching, hydraulic services, electrical and transformer insulation, and medicinal purposes.

BITUMEN

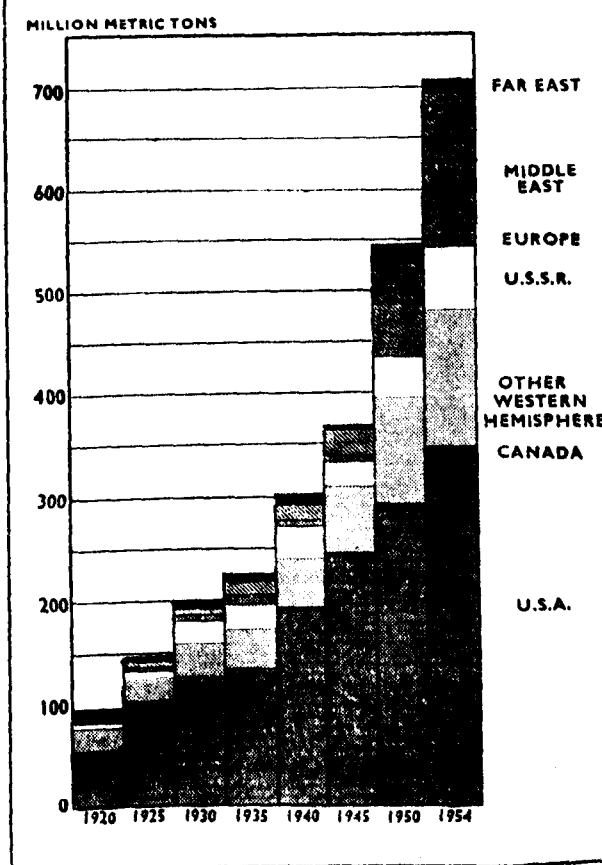
The merits of Bitumen for road building are too well-known to be elaborated here, but a complete range of the various grades for hot application and "cutbacks" for cold application are available. The Burmah-Shell Refinery at Trombay has a large Bitumen plant which goes a long way to making the country self-sufficient.

Road-making is not the end of the uses of Bitumen. It is a most versatile and useful protective coating and perhaps one of its greatest services to man is the lining of irrigation canals to prevent water seepage, an application which will be of increasing service to India, where canals pass through porous soil and efficient sealing is essential to prevent serious loss of water, or undesirable water-logging of the area.

OTHER PRODUCTS

The range of petroleum products is completed by many others which are familiar in domestic or industrial use. Among them are the following: (a) Paraffin Wax for the manufacture of candles, impregnation of matches, providing glossy finishes for textiles and many other uses. (b) Vaporizing Oil for use in small engines and tractors. (c) Solvent Oil for manufacture of tyres and rubber articles, for extraction of vegetable oils and dry-cleaning of clothes. (d) Mineral Turpentine as a thinner of paints and carrier of colour pigments. (e) Solvents of insecticides and larvicides for spreading on water to combat malaria. There are complete ranges of industrial chemicals and solvents and detergents which are wetting agents and displacing soap for many uses. The range of petroleum products in the service of man is truly remarkable and human ingenuity is steadily adding to the list.

THE GROWTH OF WORLD OIL PRODUCTION INCLUDING NATURAL GASOLINE



WORLD OIL PRODUCTION, CONSUMPTION AND RESERVES

World Oil Production (Including Natural Gasoline)
By Countries and Areas

Proved World Reserve at 31st December 1954

(Thousand million metric tons)

Country and Area	(Thousand metric tons)	
	1953	1954 (Estimate)
North America		
U.S.A.	343,610	340,000
Canada	10,950	12,500
	354,560	352,500
Latin America		
Venezuela	92,600	97,800
Mexico	10,220	12,000
Colombia	5,740	6,000
Argentina	3,990	4,400
Trinidad	3,220	3,400
Peru	2,250	2,300
Others	780	1,000
	118,800	126,900
Middle East		
Saudi Arabia	41,380	46,700
Kuwait	43,300	47,700
Iraq	28,180	30,600
Qatar	4,000	4,800
Persia*	1,000	3,000
Egypt	2,400	2,000
Bahrain	1,500	1,500
Others	210	1,000
	122,030	137,300
Far East		
Indonesia	10,160	10,500
British Borneo	4,950	4,900
Others	1,230	1,600
	16,340	17,000
Western Europe		
Western Germany	2,200	2,700
Netherlands	820	900
Others	720	800
	3,740	4,400
U.S.S.R. and Eastern Europe†	62,130	71,600
WORLD TOTAL	677,600	709,700

Country and Area	Quantity	Percentage of World Total
U.S.A.	4.1	18.4
Venezuela	1.6	7.0
Canada	0.4	1.8
Other W. Hemisphere	0.5	2.2
Total Westren Hemisphere	6.6	29.4
Persia	2.1	9.5
Iraq	2.0	9.0
Saudi Arabia	5.1	22.9
Kuwait	4.3	19.1
Qatar	0.2	.9
Other Middle East	0.1	.4
Total Middle East	13.9	61.9
U.S.S.R. and Eastern Europe	1.5	6.6
Far East and Australia	0.4	1.7
Europe and North Africa	0.1	.5
GRAND TOTAL	22.5	100.0

Source: U.S. "Oil and Gas Journal".

Regional Consumption of Petroleum Products in 1953

North America	57.1%
Western Europe	10.9%
USSR—Eastern Europe and China	9.5%
Latin America	6.7%
Asia outside the Middle East	3.2%
Middle East	1.5%
Africa	1.2%
Oceania	1.2%
Air and Ocean Bunkers	8.7%
TOTAL	100.0%

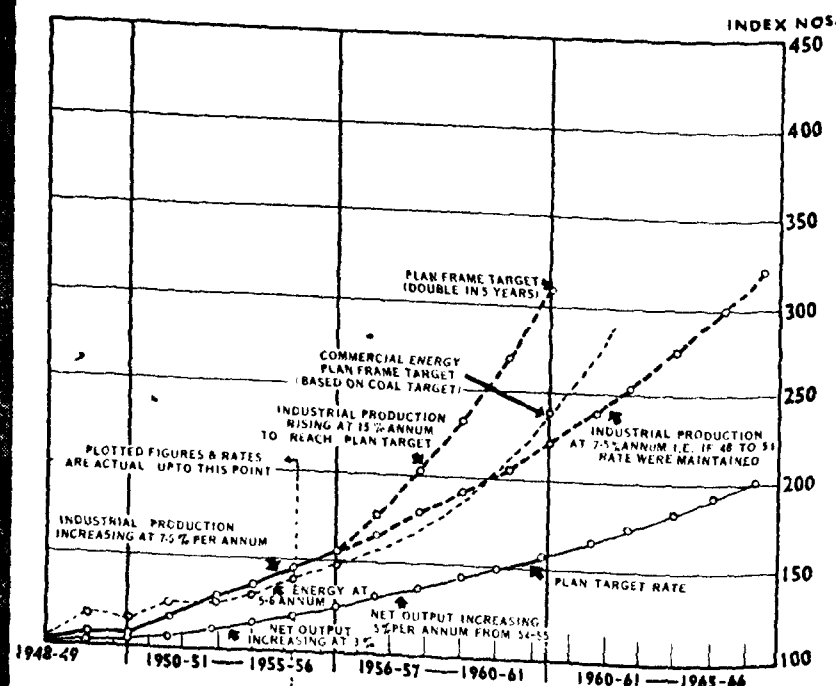
* Before oil dispute, production in Persia reached a peak of 32,300,000 tons in 1950. Output is scheduled to reach nearly 15,000,000 tons in 1955.

Best available estimates. Principal source of production is the U.S.S.R., which accounted for some 8½ per cent of the total output in the area in both 1953 and 1954.

Source: Petroleum Information Bureau

INDICES OF PLANNED PRODUCTION, NET OUTPUT AND ENERGY

INDEX: 1948=100



Courtesy: Burmah-Shell.

Printed and Published by Devi Prasad Sharma at the Hindustan Times Press,
for "The Eastern Economist" Ltd., 52, Queensway, New Delhi. Editor—**F. P. W. da Costa, M.A. (Oxon.)**

Incentives in Industry

CONTENTS

The Spread of Incentives	..	..	..	i	The Trend of Dividends	..	..	..	vi
Incentives in a Planned Economy	..	..	..	ii	The Trend of Real Wages	..	..	..	viii
Salaries in the Public Sector	..	..	..	iii	Trends in Productivity	..	..	..	ix
Salaries in the Private Sector	..	..	..	iv	Conclusion	..	..	..	x
The Trend of Profits	..	..	..	v	Statistics	..	..	..	xi

The Spread of Incentives

THE purpose of this Blue Supplement is to examine over the time the main elements which determine the volume of incentives in productive undertakings. The emphasis throughout is on productive undertakings and there is no attempt to assess factors on grounds of social justice. The argument on social justice is admissible, but cannot take priority at this time. The reason for this was admirably stated by the Prime Minister in his address in the Rajya Sabha on May the 18th. He said in effect that, for the next five years at least, production must take priority far head of distribution. This was in fact an instrument of social justice, since there was no point in distributing poverty. The capacity to raise the standard of living of the Indian people depended for a brief period on production and production only.

While this proposition seems obvious enough, its implications are too often forgotten. If production is to expand, there must be an interest given to those responsible for expanding production to redouble their efforts. These interests are naturally varied. They include the shareholder who provides capital, the manager who provides organisation, and labour that provides manpower. There are, indeed, two different kinds of labour involved, salaried workers who tend to work on terms which do not move up or down with output of their factories, and manual labour which, whether by production bonuses or otherwise, has a close monetary interest in output.

It is shown in the pages which follow that over the last fifteen years there has been an erosion of incentive in the case of most salaried classes; whether in the public or private sector, the general standard of living of salaried workers has been considerably reduced. On the other hand, the general level of profits and of real wages has risen; not, indeed, uniformly but over the whole period substantially enough

to make it true that there has been no erosion of profits and no erosion of wages. In other words, the incentives which have been taken away have not been taken away from all factors of production. The character of the productive process has been distorted by a serious incursion into middle class standards of living particularly in the receipts of management.

Just as it is not proposed to argue the social justice case in general, it is not proposed to argue the particular social justice case in regard to the middle class. There is, indeed, such a case, but if production is paramount in the first instance, it should be paramount in this case also. In other words, it is not the general standard of living of the middle classes which should cause concern; it is the erosion of incentives in India's managers, whether in the public or in the private sector.

In the sections which follow there is first an analysis of trends in salaries of managers in the public and the private sectors. This is followed by an analysis of the movement of profits including capital gains which might be regarded as the rewards of investment. Finally, there comes in greater detail than elsewhere an analysis of the movement of real wages and a measurement of the extent to which it is related to productivity. It is argued that it is largely related to productivity, and here there has been no net benefit conferred on labour. On the other hand, to the extent that it has moved ahead of productivity—and between 1947 and 1951 it raced ahead—a bounty has been conferred on organised industrial workers at the same time as an inroad was made into middle class management standards.

The question now arises as to whether this excessive inroad into management incentives can be corrected in the short or long periods. It is argued that

it is not possible to correct these incentives at the expense of labour. For one thing labour is powerfully organised in Trade Unions with political power which makes it invulnerable to the operation of what might otherwise be called normal economic forces. Management of all kinds—top, middle and low—are in no such favoured position. It is argued, therefore, that the State will need by a conscious effort to instal incentives if the spacious targets of the second Five-Year Plan are to be achieved.

The central piece in this Blue Supplement discusses the nature of these incentives for two groups of management, foreign and national. The foreign manager and technician is believed to be an essential requisite in this period of India's economic development. His treatment will need to be somewhat different from that of the Indian national since there is danger of his attraction in other countries, which may leave India in short supply. 'The Eastern Economist' makes no apology, therefore, for proposing a level of rewards for those foreign managers considered essential for the Plan, which is in excess of that proposed for Indian managers. Here, again, there is no issue of social justice; merely the application of hard pragmatism in a short period and inescapable situation.

The argument throughout has not been in favour of making the rich richer in order to make the poor

advance. It is essentially an argument for making production rise at a pace which will allow the inequality of incomes to be reduced. It has been shown that in the income-tax group, production in the Indian Union has been a great leveller. Even before taxation the inequalities of incomes in the income-tax paying classes were reduced by this means between 1951 and 1955. Inequality not related to production has no functional justification; and incentives given to managers seem in India not to be makers of inequality.

The conclusions of this Supplement are, therefore, simple. In the first place, production will need the development of a new set of incentives for salaried managements, both foreign and Indian. The character of these incentives must be related to the erosion of incentives which has taken place in this sector since 1939, and particularly in the last three years. This erosion in order to be assessed in perspective needs to be considered against the gains of the investing class and organised labour. It is believed that by quite moderate incentives given to managers, foreign or Indian, who are responsible for projects contained in the Plan, the growth of frustration in the managerial salaried class might to some extent be stayed. There are few more important measures needed for the successful implementation of the Plan than this putting of fresh heart into the men who will bear the brunt of the Plan.

Incentives in a Planned Economy

THE OBJECTIVES OF MANAGEMENT

THE nature of incentives required to maintain production and to expand production are radically different. For a static society no additional incentive is required, seeing that each instrument of production has only to go on producing what it produced in a previous period. Therefore, the need of incentives should be linked in some manner with rising production, not with any static conception of doing what was done before. The idea that salaries or wages should rise irrespective of production is merely an instrument of reckless inflation in a period when production is short. Social justice should be secured by the State, not by an arbitrary favouritism of any one factor in the industrial process.

If an economy is progressing, there are inevitably incentives of a kind. Even if there is no conscious incentive practised, there is obtained, by the free operation of economic forces, a distribution of the increment of production in terms which provide various incentives to the contributing factors. The classical theory of distribution developed in part by Walras, Marshall and Pigou and more concretely stated by J. R. Hicks in his 'Theory of Wages' about twenty-five years ago, showed how normal economic forces tended to link distribution with marginal productivity rewards. In this assessment each factor received payment according to its marginal productivity, that is, to its product on the last unit manufactured.

In a planned economy, 'free' economic forces are restricted in operation. If production is organised for maximum profits and each factor is rewarded according to its marginal product, there is also no indication that a particular target of the Plan will be fulfilled. For once the marginal productivity of factors of production is fixed, so is output, except to the extent that resources—capital and labour—are changed. Professor Hicks has shown mathematically that output is thus determined when the volume of capital and labour employed are fixed and marginal productivities do not change. If in the Plan resources in particular industries are fixed—and this is increasingly the case—output can

only rise through changes in productivity. This calls for a new type of management, not only one that produces at the minimum cost. For there is no guarantee that minimum cost management will strike the output targets of the Plan.

In order to change what might be called normal free economy trends into the higher trend designed in a Plan, the main dynamic element must be management. This is a new function of management in the planning age, namely, that it is to determine the level of incentives or rewards (outside current marginal productivity) in order to bring real output into conformity with the Plan. There is no theoretical or mathematical solution for this problem which is essentially pragmatic. The greatest of the world's managers have been pure pragmatists, ignorant of economic theory, particularly in its more refined and modern mathematical forms. All of them have been instrumental in changing the efficiency of the factors of production. They have put into both capital and labour a new dimension. Profit was the by-product of this operation; it is the unlossing of incentives to invest, and to produce and to consume on a grand scale that was the world's great management contribution. When incentives for production and consumption are unloosed, distribution can be adjusted when it does not go right by itself.

The problem of distribution in India is, for the next five years, only a by-product of the problem of production. It is dealt with historically in a separate piece in which it is shown that the marginal productivity of capital and the marginal productivity of labour in the last six years do not provide an indication that either capital or organised labour is underpaid; the position is otherwise with some salaries. It would appear from statistics elsewhere that the marginal productivity of capital is increasing more rapidly than the marginal productivity of labour. In other words, the great increases of productivity in the last five years have been due more to the wider use of capital than to spectacular co-operation from labour. But the co-operation of labour has been shown in a reduction in

work-days lost through disputes and also in better working during hours worked.

The point that is now stressed is that in the planning age, management has a function quite different from the mere marriage of the sources of production. Essentially it is the marriage of components of production in a manner which not only attempts to keep unit cost at a minimum (a condition which in the planning age tends to be of secondary importance) but also attempts the raising of output without loss to targeted figures. In that sense while the function of management remains the same as it has always been, namely, to produce at a profit, it becomes in the planning age wedded to a proviso that this profit must be obtained with at least the attainment of the minimum targets of the Plan. Thus the responsibilities of management

are greater than they have ever been for there are two ends and not only one to be served.

In a free economy a manager has a responsibility to his shareholders, a responsibility to his workers and some (undefined) responsibility to the social purposes of the society in which he works. In a planned economy, in addition to these previous responsibilities, there is a fairly precisely defined minimum target of output, and a fairly precisely defined social purpose covered now in India by the "socialistic pattern of society." The manager has to operate within a framework of thinking, and sometimes of law, which gives him less freedom while requiring greater effort. Neither capital nor labour has had its real burdens thus increased. It is for this reason that the incentives for top management need to be increased more than those provided to capital or labour.

Salaries in the Public Sector

ONCE it is recognised that incentives to the managerial and supervisory classes, in the form of salaries, are quite as essential in industry as incentives to investors in the shape of profits and to workers in the form of wages, an analysis of how far trends in salary levels have been promoting (or discouraging) incentives assumes importance. In the present piece it is proposed to discuss the significance of the situation in this regard in the public sector, reserving to the next article the reactions of the private sector to the need for providing greater incentives to the managerial and supervisory classes. The choice of the public sector for discussion first is not by accident. The second Five-Year Plan assigns the major role in the country's industrial development to the public sector. It is true that even so the private sector as a whole will still continue to be more important than the public sector, at least for some years to come. But a large part of the development contemplated in the Plan is in the public sector, and a discussion of how far salaries in this sector will act as incentives has become both urgent and necessary.

In broad outline, there has been no uniform movement of salaries paid to Government servants at the various levels in the last 15 or 16 years. While the salaries in terms of money have increased in the lower and middle levels, the amounts paid to the incumbents of the highest posts have remained almost unchanged. But this statement needs qualification. Before 1947, Indian officers were almost completely excluded from the highest posts, which were a preserve of European I.C.S. officers. But after independence all posts have been open to everybody, so that it can be stated that there has been an improvement in the emoluments of the highest paid Indian officers since 1947. Even in the course of the war it had become necessary to appoint Indians to some of the higher posts at New Delhi, and this process was completed after 1947. Apart from this, the emoluments that go with the higher posts have not registered much improvement, if any. On the other hand, the salaries for these posts have been reduced, some of them receiving even a 25 per cent cut. The rewards for such posts as Secretaries to the Union Government have in some cases already been reduced from Rs. 4,000 to Rs. 3,000 a month. This is serious enough, but in the confused thinking which the objective of a Socialist pattern of society has given rise to, further cuts are being urged by precisely those sections who favour a higher standard of living all round, blissfully ignoring the fatal possibilities of their suggestion in postponing the arrival of the very millennium for which they are clamouring.

Salaries in the lower and middle levels have, however, registered some improvement, measured in terms

of money. The outbreak of the war and the rise in general prices and the cost of living which soon followed it pushed those who were living at the margin of subsistence below that level and this called for some relief, which was granted in the shape of dearness allowance. Admittedly the sums granted as dearness allowance could not and did not make up for the rise in living costs, and when the prices continued their upward trend, the gap became wider. This led to the appointment of the Pay Commission in 1946. It is true that the Pay Commission recommended better salaries than what were being given up to then for nearly all the lower and middle grade jobs, but their recommendations were based on the assumption that the cost of living would be stabilised at between 160 and 180 per cent of the 1939 level. The rates of dearness allowance they recommended were also based on the premise that the cost of living would not go much beyond 260 per cent of the 1939 level. Since then there has been no large-scale revision of salaries paid to Government servants.

This brings us to the erosion of incentives which has taken place as a result of the steady fall in the real value of salaries since 1939. In so far as the salaries in the higher ranges have not increased, not even to the extent to which salaries in the lower levels have, incumbents of these posts should have suffered a proportionately greater disincentive. What precisely is the extent of this disincentive can be gauged from the fact that the cost of living is at present approximately 3.3 times what it was in 1939, while wholesale prices have gone up 3.9 times. It is true that the effect of a price increase of this magnitude will be much severer on the lower levels of salary-earners, but it is in the middle levels—where a whole new range of posts have been created—and in the higher levels that the incentive aspect of salaries is more important. Here the reduction in salaries in real terms has been far steeper.

But rising prices have by no means been the only factor which has caused serious inroads into incentives in the public sector. A more or less stable salary in the ranges that are significant has suffered additional damage from the trend in the taxation of incomes. This trend has been uniformly upward since 1939 and the maximum rate of income-tax and super-tax applicable to an income of, say, Rs. 4,000 a month, has gone up from about 3½ annas in 1939 to 9½ annas in 1955. The total annual tax which was payable in these two years was Rs. 8,586 (17.9 per cent) and Rs. 16,438 (34.2 per cent) respectively. The value of the net income, in 1956, after allowing for the rise in the cost of living, will just be Rs. 8,767 in terms of the 1939 level. This,

of course, is an approximation, but it illustrates sufficiently well that a salary whose net value in 1939 was Rs. 39,414 has fallen to less than a fourth in 1956. How far a reduction of this size in real value can be and has been outweighed by the social prestige which a Government job carries it is difficult to say, but even this prestige has been declining of late with the expansion that has taken place in the private sector recently and the greater opportunities for steady, well-paid employment which have become available.

It has become evident that the proposal to counter the erosion of incentives which has taken place will hardly find acceptance in the socialistic mood prevalent today; and though the Prime Minister has refused to countenance any proposal for a further weakening of incentives by imposing a ceiling on incomes, this applies only to the private sector. But a rigid ad-

herence to existing ideas on what the salaries should be for the new class of managers of industrial enterprises in the public sector may fail to secure the services of personnel of the quality and in the number required. It is true that apart from the inhibitions imposed by the socialist pattern, there will be a certain anomaly in fixing higher salaries for managers of industrial enterprises than those given to the top officials in the administrative system. But there are definite limits beyond which appeals to patriotism will not operate, and it may become necessary to pay higher salaries than have hitherto been given for filling at least some of the top positions. Otherwise, there is the danger that private industry will attract all the best talents available, forcing the public sector to rely on second class managers for implementing important schemes for the development of heavy industries.

Salaries in the Private Sector

WHAT has been said above about the salaries in the public sector applies 'pari passu' to salaries in the private sector. There is, however, one important difference. In the public sector, prestige has always been an important alternative to high money income. Secretaries to Government for example exercise both power and influence far greater than a Managing Director of even a large managing agency house. It is difficult to compute the value of this prestige and influence, or the inevitable high place that it carries in the warrant of precedence. But almost certainly it is large. There is ground for believing that if two persons of equal ability enter, one in the public, and the other in the private, sector, the order of difference in salaries to make up for the greater prestige and influence of the public sector might be measured by a salary in the public sector about half that at the topmost appointment in the private sector.

'The Eastern Economist' has sought some practical support for this thesis by reference to some Secretaries and Joint Secretaries to Government in New Delhi. There are very few Secretaries or Joint Secretaries to Government who would be willing to resign from the public services and take an appointment with a private business house without approximately doubling their salaries before taxation. It is true this is by no means doubling the salary after taxation, but it does mean that if industry is to obtain the quality that goes in the topmost ranks in the civil services, it would need to pay substantially more than a Secretary to Government receives today.

In the table given alongside a scale of incomes is shown extending up to Rs. 7,000 per month. It may be assumed that a figure of Rs. 7,000 per month represents in the private sector a figure comparable to that of a Secretary to Government at the present time. It might be mentioned that with taxation rising very steeply a monthly income of Rs. 7,000 after taxation would be just about Rs. 1,000 more than at Rs. 4,000. In other words, two-thirds of the difference in income goes to the Government, and not to the recipient of the salary. Nevertheless, here is an element of money prestige attached to top management which is some compensation for the greater non-money prestige which a Secretary to Government enjoys. It should be recognised that this small addition of Rs. 1,000 free of tax cannot be denied by a country, whose main aim in the short period is production and whose purpose must obviously be to attract to the highest places in industrial management the best administrative ability.

Assuming for the sake of argument that normal "top managers" are allowed a pay up to Rs. 7,000 per

much before taxation, there is need of further incentive for the successful entrepreneur who should command a higher price than the average man in his group. It is difficult to determine how this additional incentive is to be obtained, but obviously there is need in the private sector for an element of dispersion of salary so that not all top managers belong to the same income category as all Secretaries to Government. There should be an entrepreneurial bonus for managers as well as a production bonus for workers.

REAL INCOME OF THE SALARIED CLASS AT PRE-WAR PRICES

For married persons only.

Monthly Income	Annual Income	Annual Income-tax	Annual Income after Tax	Annual Income after Taxes at Pre-War Prices	Monthly Income at Pre-War Prices
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
500	6,000	131	5,869	1,630	136
750	9,000	374	8,625	2,396	200
1,000	12,000	744	11,255	3,127	260
1,250	15,000	1,230	13,770	3,825	319
1,500	18,000	1,742	16,258	4,516	376
1,750	21,000	2,275	18,725	5,201	433
2,000	24,000	3,444	20,556	5,710	476
2,250	27,000	4,194	22,806	6,335	528
2,500	30,000	6,332	23,668	6,574	548
2,750	33,000	7,116	25,884	7,190	599
3,000	36,000	9,404	26,596	7,388	616
3,250	39,000	10,263	28,737	7,982	665
3,500	42,000	12,737	29,263	8,129	677
3,750	45,000	14,667	30,333	8,426	702
4,000	48,000	16,433	31,562	8,767	730
4,583	55,000	20,901	34,099	9,472	789
5,000	60,000	24,182	35,818	9,949	829
5,500	66,000	28,513	37,487	10,413	868
5,833	70,000	31,401	38,599	10,722	894
6,000	72,000	32,844	39,156	10,877	906
7,000	84,000	41,769	42,231	11,731	928

This additional incentive must be related in some manner to the specific demands of the Plan. Since the principle of an inducement to invest in new industries has been fiscally recognised by the industrial rebate, one might perhaps ask that certain selected appointments, designed either for the establishment of a new industry or for over-fulfilment of targets in existing industries, should be compensated by some fiscal means.

But the Russian and the American systems are agreed on the necessity to provide special inducement for the topmost management. It ought to be possible, following experiences in these countries, to make a percentage of the salaries of top executives, whose function is judged particularly vital in the Plan, to be tax-free for at least this Plan's duration.

Justification for the special treatment of top managements arises from the fact that in the next five years the demand for trained personnel of the highest calibre will much exceed the supply. Indeed, at the present time, the strain is already being felt to the extent that many public sector corporations are unable to find requisite talent at the top level. In the

case of some great projects, notably Bhakhra-Nangal and Damodar Valley, foreign engineers have been allowed to draw salaries far above those normally allowed in the public sector. This admits of more general application. There is no reason why a tax-free rule should be made for technicians only when shortage of supply in the top managerial classes is more pressing.

The current bottleneck in the management in both sectors will not be cured unless there is a tax inducement for foreign managers of the requisite calibre to enter and for talented Indian nationals also to give the whole mind and many years of apprenticeship to the entrepreneurial function.

The Trend of Profits

AGAINST the heavy inroad of which mention has been made in the rewards of Management, have there been any equal inroads into real profits or real wages? This and the next three pieces deal with this question.

So far as profits are concerned, unhappily no authoritative official figures are available after 1953. But the table below gives index numbers of industrial profits with 1939 equal to 100. The tables in the Statistical Section show the figures when deflated by the All-India Consumer Index after 1944. No figures for this index are available for previous years.

The Research Section of 'The Eastern Economist' has made estimates believed to be comparable with the official estimates, though made of much smaller sample, for the years 1954 and 1955. Both these years show

rises on 1953, and, indeed, 1955 shows a rise over the peak year of 1951. It may be assumed that these figures have not underrated the trend of profits.

It will be seen from these figures that in no year or at least in no series of years have profits greatly exceeded their 1940 value. In other words, real profits have not risen over the period as a whole. They have certainly risen in portions of the period quite steeply in 1941 and 1942 and moderately again from 1953 to 1955.

It is fair to conclude that industrial profits while they have not been unduly low have not been unduly high. Perhaps a fair estimate would be that in real terms they have tended to maintain their pre-war rate over a much larger monetary investment.

INDEX NUMBERS OF INDUSTRIAL PROFITS

(Base: 1939=100)

Year	ALL INDUSTRIES	Jute	Cotton	Tea	Sugar	Paper	Iron and Steel	Coal	Cement
1940	138.0	359.1	142.5	99.1	100.3	263.3	103.8	100.8	102.8
1941	187.0	344.4	316.6	146.8	137.8	284.7	133.7	82.6	128.8
1942	221.8	351.1	491.3	228.1	126.7	321.7	110.1	80.5	160.1
1943	215.0	376.3	640.0	142.3	157.8	352.8	111.8	95.6	147.9
1944	234.9	310.6	492.1	110.5	133.5	271.5	117.8	237.0	214.4
1945	233.6	327.6	423.3	150.7	108.9	279.5	120.2	258.3	211.6
1946	229.2	415.5	408.9	198.8	122.4	266.4	101.3	198.5	194.1
1947	191.6	313.2	317.7	216.3	171.5	167.6	86.1	171.8	142.5
1948	259.9	361.2	548.1	127.9	381.3	257.0	96.3	201.0	252.6
1949	181.5	89.3	192.0	138.4	216.4	316.7	116.0	287.2	295.0
1950	246.6	456.9	356.6	271.2	262.4	479.0	134.2	209.2	333.4
1951	310.5	679.1	551.1	103.9	420.8	604.1	157.7	178.4	419.7
1952	190.6	183.4	262.8	88.8	409.1	568.8	162.6	220.4	298.4
1953	261.2	326.2	397.4	391.4	419.8	512.7	179.4	145.5	279.0
1954*	292.0	268.9	386.4	830.9	329.8	432.3	214.9	151.1	340.5
1955*	319.6	290.8	403.8	n.a.	345.4	584.6	271.8	n.a.	450.5

* Provisional. n.a.—Results of sufficient no. of companies are not available to give a fair indicator of profits. Note: The figures up to 1953 have been taken from the 'Progress of Joint Stock Companies' a Ministry of Finance publication. Figures for 1954 and 1955 have been worked out by taking profits for 1953, 1954 and 1955 of same companies and relating the index for 1953 to the profits for 1954 and 1955.

The Trend of Dividends

SO far as distributed profits or dividends are concerned the most authoritative study has appeared in the Reserve Bank of India Bulletin which in its April 1956 issue presents figures for four years in regard to leading industries. According to this table, which shows dividends as percentage of paid-up capital in 771 joint stock companies in India, the average rate of dividend has tended to be between 7.2 and 8.1 per cent on ordinary shares. It is only in respect of deferred shares that profits have reached 40 per cent in a particular year, namely 1951. There are also studies in this April 1956 issue of the Reserve Bank of India Bulletin that show after tax gross profits as percentage of total capital employed. These results are best shown graphically on the opposite page.

It will be seen that so far as average gross of profits as percentage of total capital employed is concerned, there is only one single case—that of matches—where gross profits have been higher than 15 per cent of total capital employed. The average is much lower, and in the case of land and estate, vegetable oils and chemicals, it is below 5 per cent.

Similarly, in regard to profits after tax as percentage of net worth there are only two cases—iron and steel and plantations other than tea—where profits after tax have been above 12½ per cent of net worth. In many cases, such, for example, as land and

estate, chemicals and vegetable oils the figure has been less than 2½ per cent.

Again on dividends as a percentage of paid-up capital (the position of which is described in the table below) the graphical presentation shows how ill-conceived is the notion that dividends in Indian industries in these years have been exceptionally high. If one excludes iron and steel, vegetable oils and plantations other than tea there is no industry whose dividends as a percentage of paid-up capital have exceeded 12½ per cent.

These conclusions support the contention that the rewards for capital, whether conceived in terms of gross profits or as dividends distributed, do not provide excessive incentives to the providers of capital. On the other hand, 'The Eastern Economist' will not contend that these dividends are unduly low. It would point out that the erosion of return in real terms is largely compensated by capital gains which are shown in the table below. For example the table on p. xiii shows that industrial share prices in India have risen substantially from their 1939 level. It is true that there have been ups and downs. It is also true that there has been a substantial fall since the peak of 1946. Nevertheless, it cannot be contended that a shareholder who had non-taxable capital gains at the present time has been harshly treated.

DIVIDENDS AS PERCENTAGE OF PAID-UP CAPITAL*

Industry	Ordinary Shares				Preference Shares				Deferred Shares			
	1950	1951	1952	1953	1950	1951	1952	1953	1950	1951	1952	1953
Cotton Textile	8.2	9.2	7.3	7.9	4.2	4.2	3.8	3.8	7.8	16.2	..	3.8
Jute	11.0	15.2	11.2	8.4	6.2	6.2	5.8	6.9	..	..	..	..
Other	3.6	0.6	1.5	3.8	0.4	3.0	8.8	5.4	..	..	..	..
Iron & Steel	12.9	14.2	16.9	12.6	6.3	6.7	6.7	6.7	306.7	373.3	373.3	..
Engineering a	2.7	2.8	2.9	3.4	3.1	2.6	2.4	2.3	22.0	20.4	18.3	0.4
Cement	7.1	8.7	9.3	9.2	9.9	8.4	5.3	5.3	..	..	..	7.7
Sugar	8.3	10.1	9.9	10.9	5.7	5.6	5.1	5.7	28.6	21.4	28.6	35.7
Paper	9.2	12.3	10.5	10.6	4.7	6.0	6.0	4.6	..	..	..	..
Vegetable Oil	2.3	2.4	2.5	2.4	3.0	2.4	2.1	3.2	2.8	2.8	..	..
Chemicals b	3.0	2.5	2.0	2.2	4.4	5.1	4.7	8.2	2.9	5.7	..	..
Matches	10.8	10.8	10.4	10.8	..	..	..	..	..	..	..	..
Coal	7.8	7.1	7.5	6.1	4.3	3.9	4.8	5.6	0.8	1.6	0.8	..
Electricity Generation and Supply	4.6	7.2	6.9	6.3	3.8	6.6	7.3	6.7	..	..	..	..
Shipping	0.8	3.9	5.2	2.4	2.0	9.4	5.1	5.3	..	..	..	..
Tea	18.4	11.7	6.8	16.4	5.3	5.5	4.6	6.0	..	..	..	..
Other Plantations	11.3	14.5	12.5	15.6	6.0	6.6	7.2	6.6	..	..	..	..
Trading	9.6	9.7	6.7	5.8	4.0	4.6	2.7	2.4	13.4	16.9	12.7	12.7
Land and Estate	1.1	1.6	1.2	1.6	3.1	4.1	5.3	3.4	..	..	..	6.0
Total (Including others)	7.5	8.1	7.2	7.4	4.6	5.2	5.0	5.1	32.0	40.1	33.5	6.0

* Including capitalised reserves.

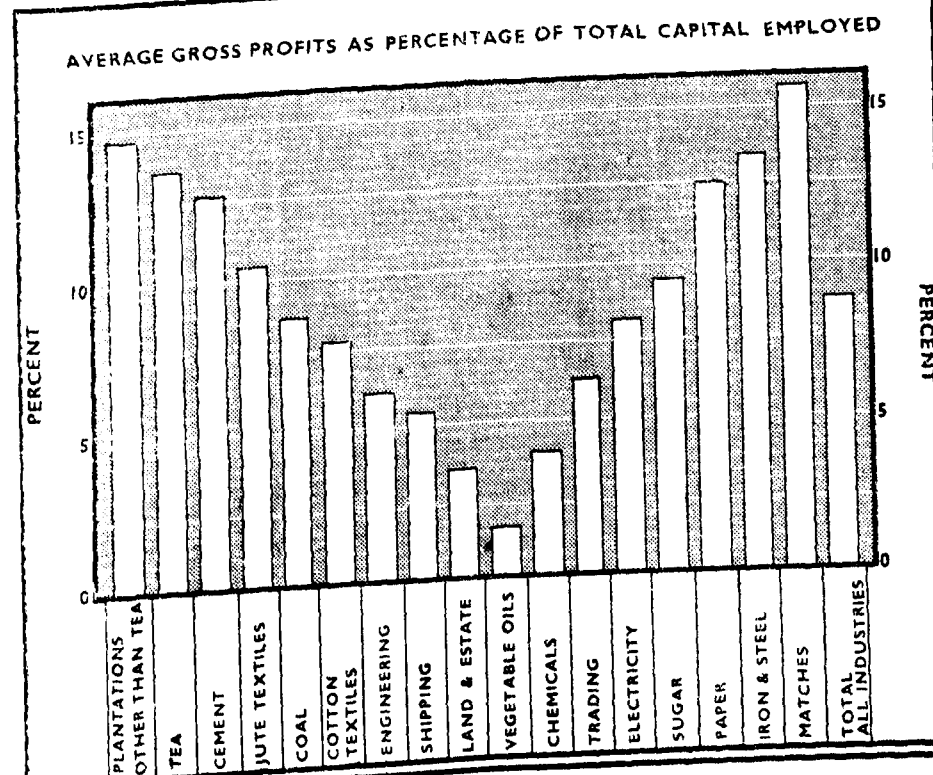
“..” Indicates that the percentage is nil or less than .05, and “—” indicates and paid-up capital is nil.

a (1) Non-ferrous Metals, (2) Transport Equipment, (3) Electrical Machinery and (4) Machinery (other than transport electrical).

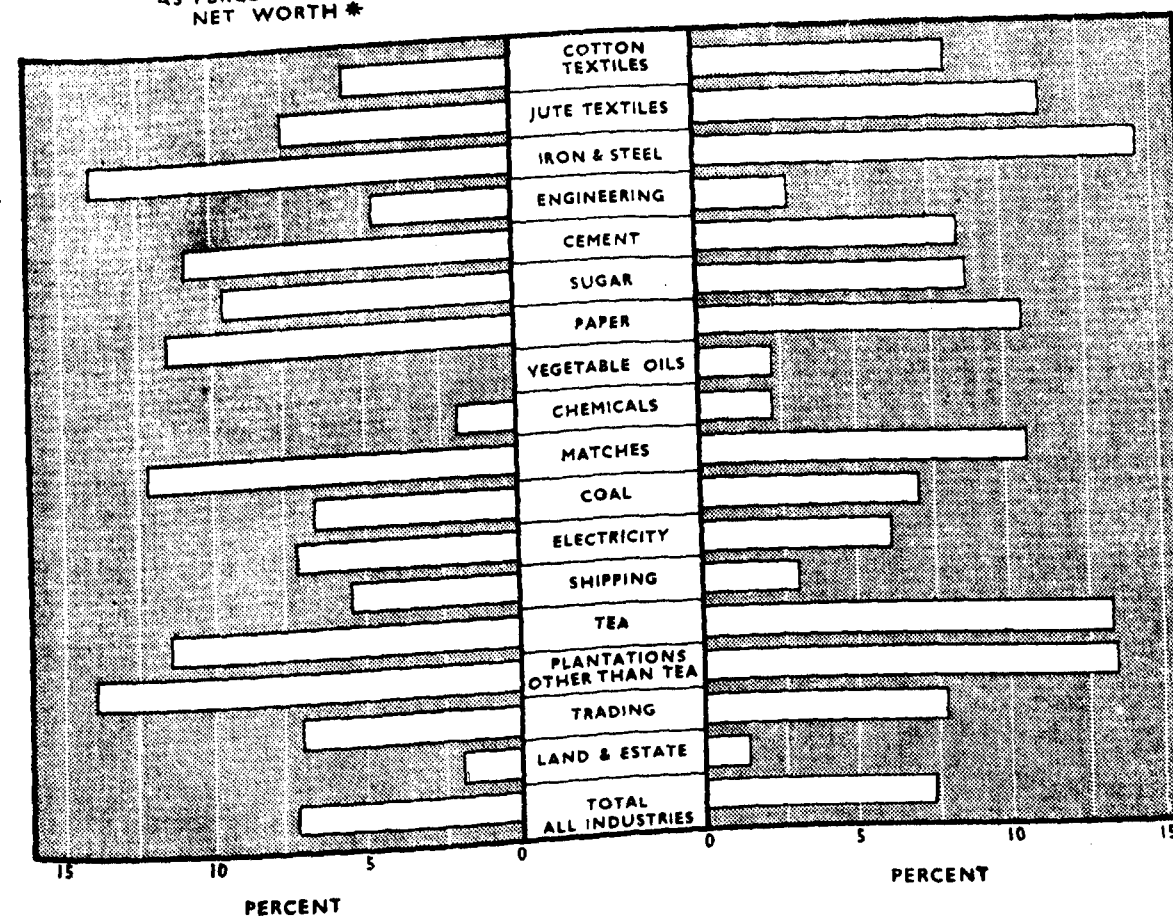
b (1) Basic Industrial Chemicals, (2) Medicines and Pharmaceuticals and (3) Other Chemicals.

Source: Reserve Bank of India Bulletin, April 1956.

COMPANY FINANCES 1950-1953



PROFITS AFTER TAX AS PERCENTAGE OF NET WORTH *
DIVIDEND AS PERCENTAGE OF PAID-UP CAPITAL †



* Net worth indicates paid-up Capital including all reserves (other than taxation and depreciation reserves) and balance of profits. † Dividend on ordinary shares only.

Source: Reserve Bank of India Bulletin, April 1956.

The Trend of Real Wages

FOR a proper assessment of the extent to which real wages have progressed over a period of the last sixteen years, it becomes necessary to watch the trend in the index of real earnings with reference to the pre-war base. This is done by deflating the series of index of earnings by the All-India Consumer Price Index Series. The table below presents a comparable picture of (i) the index of earnings (ii) the all-India consumer price index and (iii) the index of real earnings.

Year	Index of Gross Earnings (1939=100)	All-India Consumer Price Index (1939=100)	Index of Real Earnings (1939=100)
1939	100	100	100
1940	105.3	97	108.6
1941	111.0	107	103.7
1942	129.1	145	89.0
1943	179.6	268	67.0
1944	202.1	269	75.1
1945	201.5	269	74.9
1946	208.6	285	73.2
1947	253.2	323	78.4
1948	304.0	360	84.4
1949	340.3	371	91.7
1950	334.2	371	90.1
1951	356.8	387	92.2
1952	385.7	379	101.8
1953	384.6	385	99.9
1954	381.2	371	102.7

The index of real earnings was above its pre-war level in 1940 and 1941. It reached its highest level in 1940. A declining phase then set in in 1942 and continued in the next year when the lowest level was reached. This was due to an abnormally large increase in the consumer price index synchronising with an increase of relatively much smaller magnitude in the index of gross earnings. But the steep decline in 1943 was not only arrested immediately but a heartening tone of improvement was in evidence in the subsequent years. During the years 1947 and 1951 the index of real earnings rose steadily save for a slight decline in 1950. In 1951, the index touched the level of 92—still 8 points lower than its pre-war level. This was a peak touched since 1942 and showed a striking increase of 25 points above the lowest registered since the pre-war period. In the two following years the index kept curving up by significant margins. The real advance came in 1952 when after the difficult war and post-war period of twelve years the index again overstepped the pre-war mark. The subsequent course of the index was characterized by a small set-back of 2 points in 1953, when the index was almost at the pre-war level. But in 1954 it looked up boldly to the level of 102.7.

It would be highly instructive to compare the trends in real earnings with those in productivity. The official estimates made by the Central Labour Ministry are of great help and value for this purpose. The method adopted in these estimates is to convert the trends in the two indices to equations which are worked out as indicated below:

Index of productivity —	Period covered.
$Y = 86.4 (1.002)X$	1939 to 1954
$Y = 72.1 (1.027)X$	1943 to 1954
Index of real earnings —	
$Y = 85.6 (1.004)X$	1939 to 1954
$Y = 66.5 (1.039)X$	1943 to 1954

A most important fact which is quite obvious from these equations is that during the period 1943 to 1954

the index of real earnings has advanced geometrically at an average rate of 3.9 per cent per annum, whereas the corresponding rise in the index of productivity has been of the order of 2.7 per cent. The gains registered by labour are clear enough.

In general four periods can be distinctly marked out while comparing the simultaneous variations in the two indices, namely, (i) 1940 to 1942 when the index of real earnings stood above the index of productivity (ii) 1943 to 1946 when it was the other way, (iii) 1947 to 1952 when real earnings again stood over productivity and (iv) 1953 to 1954 when the index of productivity for the second time overstepped the index of real earnings. These relative fluctuations in the two indices reveal interesting changes over the period.

Dealing with certain industries since 1948, it will be observed that it is real earnings that steal a march over productivity in individual cases. In the paper industry, for example, as will be evident from the table given below the productivity index shows an annual rate of increase of 0.04, while that of earnings is 2.07. One predominant feature is the low productivity index of 1950. On the other hand the picture presented by the average earnings is one of continuous increase but for a set-back in 1953. However, the increase in the earnings stands in sharp contrast with the low rate of increase in productivity.

PAPER INDUSTRY

Year	Index of Productivity	Index of Earnings
1948	100	100
1949	100	109
1950	88	109
1951	102	115
1952	98	122
1953	99	120

JUTE TEXTILE INDUSTRY

Year	Index of Productivity	Index of Earnings
1948	100	100
1949	96.8	125
1950	120.5	125
1951	119.3	122
1952	124.9	148
1953	129.9	143

COTTON TEXTILE INDUSTRY

Year	Index of Productivity	Index of Earnings
1948	100	100
1949	89	109
1950	89	106
1951	95	108
1952	107	115
1953	118	112

So far as the jute industry is concerned, the annual rate of increase in the adjusted productivity is 2.9 against 3.7 in the earnings. There is a steep increase in earnings in 1949 and 1952. In August 1948 jute mill workers in West Bengal were getting Rs. 12-7-5 p.m. as minimum basic wages. They also got an amenity allowance at the rate of Rs. 19-8 p.m. and the value of food concessions was Rs. 8-10-9 p.m. Thus the total earning of the least paid worker was approximately Rs. 40-10. By the Industrial Tribunal's decision of

September 20, 1948, the minimum basic wage was increased to Rs. 26 p.m. The Tribunal also directed that in place of amenity allowance and sale of food grains at concession rates the workers should be paid dearness allowance at the rate of Rs. 32-8 p.m. This meant an increase of Rs. 17-14-10 in earnings. The story in the cotton textile industry, of course, is a little different. The annual rate of increase in the pro-

ductivity index being 2.28 as against 1.14 in earnings. The average earnings in cotton textile industry in 1949, however, increased sharply by 9 per cent. There was a fall in earnings in 1950, but the earnings increased again to the peak figure in 1952. Increase in productivity in this industry is largely attributable to plant organisation and modern techniques of work study as shown by recent investigations.

Trends in Productivity

WHAT, it may be asked, is productivity? Quite simply, productivity is a means of increasing production with a minimum of capital expenditure through planning and better methods of organisation. It is based on the greater utilisation of raw materials, capital, equipment and management. It is usually defined and measured as the ratio between the volume of output of the product and the input or the quantitative expenditure of the various factors that enter into its production. Statistical difficulties in measuring accurately the productivity of all the factors of production have made rather extensive the use of the phrase productivity of labour which is the relationship between the goods produced and the labour involved in their production. The productivity of labour has the merit of statistical measurability but its consequent extensive use as a device of measuring productivity has led to the common misunderstanding that labour is the single factor which is responsible for productive efficiency.

This in fact is not the case, for it is essential to include in our thinking all elements of input even though there may be statistical difficulties in the accurate measurements of all these elements. Capital, equipment and management are as important to the productive process as labour is. It would be wrong, therefore, to think that productivity is a measure exclusively of the contribution of the workers though they also play their role. Now, that being so, it is quite erroneous to argue that the benefits accruing from higher productivity should be entirely distributed among the workers, not merely for reasons of social equity but for reasons which are purely economic. Productivity is not an end in itself, it is only a means of getting the highest possible returns on the investment of various factors of production and thereby enhancing the rate of economic development, the benefits of which would accrue to the community as a whole and not merely to a few members thereof. If the entire gains of increased productivity are distributed among the working classes, the rate of capital formation, so essential to economic development, is bound to suffer a setback since most of the increased earnings of the workers would be spent on current consumption and little if anything would be saved.

The table on page xvi shows the trends in productivity and the earnings of labour since 1939, which is treated as the base year equal to 100. The trends of real wages have been discussed in the previous article, where it is shown that real earnings have risen more than productivity in at least nine of the fifteen years under consideration. It will be seen that the index of productivity in 1940 rose to 104.2 while the index of real earnings rose higher up to 108.6. Thereafter, due to the maladjustments caused by the war in the economic mechanism of the country, productivity took a downward turn and along with it the real earnings of labour, though the fall in the former was steeper than in the latter. The process of fall in productivity was arrested in 1944 but that turned out to be a temporary arrest as the index of productivity was again falling until 1947. Having equalled in 1948 the record of 1945, namely, 79.5, the index again fell to 75.6 in 1949. The year 1950 proved the turning point in the history of Indian industry when the index of productivity took a definite upward turn. For the first time in 1953 since the outbreak of the last war did productivity surpass the pre-war period. The index in 1953 stood at 105.8 and rose to 113.0 in the following year. The figures for 1955 are not yet available but it is not likely that the trend shown by the figures for 1953 and 1954 would be reversed.

It is difficult to measure productivity in particular industries in India. In any case the only major source seems to be the Census of Manufactures. The Indian Institute of Public Opinion has developed a formula for the measurement of various productivity factors from the Census Tables from the years 1946 to 1951. These are shown below for Cotton Textiles.

It will be seen that while product per man-hour has risen by 22.6 per cent, product per wage-earner has risen by only 18.7 per cent. This should put us on our guard against assuming that productivity per man and productivity per man-hour are the same in this, or in any other, industry. Similarly the real wage per man-hour rose 27 per cent, while the real wage per wage earner rose only 23 per cent. In other words, productivity per man hour was more heavily rewarded than the real wage per wage-earner tends to show.

Year	Product per man-hour	Real wage per man-hour	Money wage per man-hour	Product per wage earner	Real wage per wage earner	Money wage per wage earner
1946	100.0	100.0	100.0	100.0	100.0	100.0
1947	109.8	112.7	127.3	105.6	108.3	122.4
1948	124.2	124.0	156.3	118.6	118.3	149.3
1949	116.3	129.9	168.9	110.6	123.5	160.5
1950	117.5	127.0	166.4	107.1	116.8	153.0
1951	122.6	127.6	173.6	118.7	123.5	168.3

Conclusion

IN conclusion, one should draw together the threads of the argument that has been developed in this Supplement. In the first place it has been shown that so far as salaries are concerned there has been a very serious erosion of real income since 1939. So far as a typical salary in the Rs. 4,000 class is concerned, this might be estimated at something like a reduction of Rs. 4,000 to Rs. 730 at pre-war prices after allowing for the effect of tax changes.

At the same time there has been a restriction on perquisites as a result of the 1955-56 Budget, which has imposed an impact variable, depending on perquisites previously in enjoyment, but substantially heavier on top executives. It is fair to say that the percentage erosion in respect of top managements is higher than it is in the Rs. 4,000 class. One might, perhaps, hazard the guess that in real terms incomes in the top-most class cannot be effectively more than a sixth of what they were in 1939.

By comparison with this remarkable change in the position of top managers, the argument has presented comparable figures for real profits and dividends, which indicate some falling off. On the other hand, there is a figure to be added for capital gains, which have assisted all property-owners during the inflationary period. There are very few property owners or owners of capital in general who have lost substantially in capital values over this period. A great majority of property owners have also gained in income since the income is augmented by its being generated by real capital which has been underestimated in current money terms. The income on "old" investments is higher than on new ones.

The conclusion on capital is by no means precise. But one might hazard the guess that the erosion of property income has been relatively small. The fact that the investment market has now recovered, and that capital in any case is available from other sources, suggests that incentives for investors are not so pressing, as they are for managements.

The case for labour in organised industries is similar. Here it is shown that real wages on the average have passed the 1939 value and in some industries the progress made has been very substantial. This is by no means the case in all industries, in some of which real earnings are below the pre-war figure. Similarly there are many States where progress has not been as rapid, and where there has been a fall in real earnings. While one should recognise that real wages on an

average have been maintained, one should not deny that particular industries and particular States have suffered in the process. Nevertheless there is ground in terms of productivity for assuming that organised labour has had a substantially fair deal in recent years.

If this conclusion is sound, namely, that capital and labour have maintained their position while management has suffered severely, the question will be asked who have been the main beneficiaries of this change. The answer is, firstly, the Government whose revenues have steeply risen under direct and indirect taxes, and, secondly, those sections of producers whose terms of trade have improved against the middle classes. This is a confused picture in which some members of the middle classes have benefited at the expense of others. But, by and large, one might say that the erosion in top managements has been shared by the middle classes as a whole; the beneficiaries have been governments and agriculturists.

If the issue were one of social justice alone, one would need to consider not merely the erosion that has taken place since 1939, but also the character of distribution in 1939, that distribution was certainly unjust both to agriculturists and to the non-managerial classes. Managers in 1939 certainly had a privileged position, and some erosion of their money incomes was justified by modern ideas of equity.

It is, however, clear that when the emphasis is placed on production, the position is far more complicated. It is the manager who is to put life into the enterprise. This has been well said in a recent book "The Practice of Management" by Peter F. Drucker.

"The manager is the dynamic, life-giving element in every business. Without his leadership the 'resources of production' remain resources and never become production. In a competitive economy, above all, the quality and performance of the managers determine the success of business, indeed they determine its survival. For the quality and performance of its managers is the only effective advantage an enterprise in a competitive economy can have."

It is because the manager is the dynamic element giving life to production that his position needs to be secured so that the vitality of the production mechanism can be maintained. There is no indication that the importance of this provision of incentives for management has yet been recognised.

PROFITS AFTER TAX AS PERCENTAGE OF NET WORTH (a)

Industry	1950	1951	1952	1953	Average
1. Cotton Textile	6.5	9.5	1.9	3.4	5.3
2. Jute Textile	9.2	12.6	2.5	5.6	7.5
3. Other Textiles	3.9	2.0	1.1	2.9	2.4
4. Iron & Steel	10.3	15.2	15.3	14.4	13.9
5. Engineering*	4.6	5.1	4.3	4.2	4.5
6. Cement	10.0	11.5	11.7	10.0	10.8
7. Sugar	7.6	11.9	8.3	9.9	9.5
8. Paper	10.1	13.4	11.7	10.3	11.3
9. Vegetable Oil	1.9	..	..	0.7	..
10. Chemicals @	3.8	3.4	..	0.4	1.8
11. Matches	13.2	12.3	13.0	10.3	12.1
12. Coal	6.3	6.7	8.0	4.9	6.6
13. Electricity Generation and Supply	7.1	7.4	7.6	6.9	7.2
14. Shipping	1.7	9.9	7.9	1.9	5.4
15. Tea	16.4	8.6	..	21.4	11.3
16. Other Plantations	13.1	16.8	11.9	13.7	13.9
17. Trading	10.2	10.0	5.2	3.4	7.1
18. Land and Estate	1.8	1.9	2.0	1.7	1.8
Total (including others)	7.7	9.5	5.5	6.6	7.3

(a) Paid-up capital plus all reserves (other than taxation and depreciation reserves) and balance of profits.

GROSS PROFITS** AS PERCENTAGE OF TOTAL CAPITAL EMPLOY (L)

Industry	1950	1951	1952	1953	Average
1. Cotton Textile	8.3	11.9	4.9	6.3	7.9
2. Jute	11.2	13.3	8.2	8.1	10.4
3. Other Textiles	5.4	2.8	2.5	4.8	3.8
4. Iron & Steel	10.6	15.0	14.5	13.9	13.5
5. Engineering*	6.4	6.6	6.1	5.5	6.1
6. Cement	11.3	14.2	13.7	12.2	12.9
7. Sugar	8.0	10.5	8.5	11.0	9.5
8. Paper	11.3	13.3	12.9	12.6	12.7
9. Vegetable Oil	2.8	..	1.0	3.3	1.6
10. Chemicals@	4.9	5.3	2.6	3.3	4.0
11. Matches	17.2	16.2	16.2	13.6	15.7
12. Coal	9.4	8.9	9.8	6.7	8.7
13. Electricity Generation & Supply	8.4	8.1	8.4	7.9	8.2
14. Shipping	2.5	8.2	7.4	3.5	5.4
15. Tea	18.4	10.7	1.4	23.5	13.7
16. Other Plantations	14.3	17.0	12.9	14.7	14.7
17. Trading	8.0	8.2	5.0	3.8	6.3
18. Land and Estate	3.2	3.7	3.4	3.6	3.5
Total (Including Others)	8.9	10.6	7.5	8.3	8.8

** Including managing agents' remuneration, interest charges and provision for tax, but excluding depreciation.

(L) Net fixed assets and circulating capital.

NOTE: "..." indicates that numerator or denominator is zero or negative.

* (1) Non-ferrous Metals, (2) Transport Equipment, (3) Electrical Machinery and (4) Machinery (other than transport and electrical).

@ (1) Basic Industrial Chemicals, (2) Medicines and Pharmaceuticals and (3) Other Chemicals.

Source: Reserve Bank of India Bulletin, April 1956.

GROSS PROFITS* AS PERCENTAGE OF GROSS SALES**

Industry	1950	1951	1952	1953	Average
1. Cotton Textile	7.7	9.0	3.9	5.3	6.5
2. Jute	8.1	7.6	4.1	6.2	6.4
3. Other Textiles	14.2	5.4	5.2	9.1	7.9
4. Iron and Steel	14.0	17.9	17.2	18.7	17.1
5. Engineering a	8.8	8.5	7.8	7.5	8.1
6. Cement	19.8	22.0	19.8	18.5	20.0
7. Sugar	9.4	12.0	8.8	9.2	9.8
8. Paper	16.3	19.0	18.3	18.5	18.1
9. Vegetable Oil	1.8	...	0.5	1.6	0.8
10. Chemicals b	8.3	7.9	4.2	4.5	6.1
11. Matches	7.4	6.9	7.8	7.2	7.3
12. Coal	10.6	8.7	3.6	7.7	8.8
13. Electricity Generation & Supply	38.8	36.7	36.0	34.3	36.2
14. Shipping	5.0	15.5	13.7	7.9	10.9
15. Tea	33.6	17.3	2.7	35.0	23.1
16. Other Plantations	36.8	40.0	31.4	33.2	35.2
17. Trading	3.1	2.4	1.8	1.7	2.3
18. Land and Estate	35.7	41.9	42.2	45.2	41.2
Total Including Others	9.5	9.6	7.1	8.8	8.7

* Including managing agents' remuneration, interest charges and provision for tax, but excluding depreciation.
 **Main Income.

a (1) Non-ferrous Metals, (2) Transport Equipment (3) Electrical Machinery and (4) Machinery (other than transport and electrical).

b (1) Basic Industrial Chemicals, (2) Medicines and Pharmaceuticals and (3) Other Chemicals.

Source: Reserve Bank of India Bulletin.

INDEX NUMBERS OF INDUSTRIAL PROFITS

(Base: 1944 = 100)

Year	All Industries	Jute	Cotton	Tea	Sugar	Paper	Iron and Steel	Coal	Cement
1945	97.8	105.5	86.0	136.4	81.6	102.9	102.1	188.5	98.7
1946	95.9	133.7	83.1	179.9	91.7	98.1	86.0	83.8	90.5
1947	80.2	100.8	64.6	195.7	128.5	61.7	73.1	72.5	66.5
1948	108.8	116.3	111.4	115.7	285.6	94.7	81.7	84.8	117.8
1949	76.0	28.8	39.0	125.2	162.1	116.6	99.4	121.2	137.6
1950	103.2	147.1	72.5	245.4	196.6	176.4	113.9	88.3	155.5
1951	130.0	218.6	112.0	94.0	315.2	222.5	133.9	75.3	195.4
1952	79.8	59.0	53.4	80.4	306.4	208.8	138.0	93.0	136.8
1953	109.3	105.0	77.1	354.2	314.5	188.8	152.3	61.4	130.1
1954*	122.2	86.6	78.5	75.2	247.0	159.3	182.4	63.8	158.8
1955*	133.8	93.6	82.1	n.a.	258.7	215.3	230.7	n.a.	210.1

INDEX NUMBERS OF INDUSTRIAL PROFITS AT 1944 PRICES

(Base 1944 = 100)

Year	All Industries	Jute	Cotton	Tea	Sugar	Paper	Iron and Steel	Coal	Cement
1944	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1945	97.8	105.5	86.6	136.4	81.6	102.9	102.1	188.5	98.7
1946	90.5	126.1	78.4	169.7	86.5	92.5	81.1	79.1	85.4
1947	66.8	84.0	53.8	163.1	107.1	51.4	60.9	60.4	55.4
1948	81.2	86.8	83.1	86.3	213.1	70.7	61.0	63.3	87.9
1949	55.1	20.9	28.3	90.7	117.5	84.5	72.0	87.8	99.7
1950	74.8	106.6	52.5	177.8	142.5	127.8	82.5	64.0	112.7
1951	90.3	151.8	77.8	65.3	218.9	154.5	93.0	52.3	135.7
1952	55.4	41.0	37.1	55.8	212.8	145.0	95.8	64.6	95.0
1953	75.4	72.4	53.2	244.3	216.9	130.2	105.0	42.3	89.7
1954*	88.6	62.8	56.9	54.9	179.0	115.4	132.2	46.2	115.1
1955*	101.4	70.9	62.2	n.a.	196.0	163.1	174.8	n.a.	159.2

* Provisional.

n.a. Results of sufficient number of companies are not available to give a fair indicator of profits.

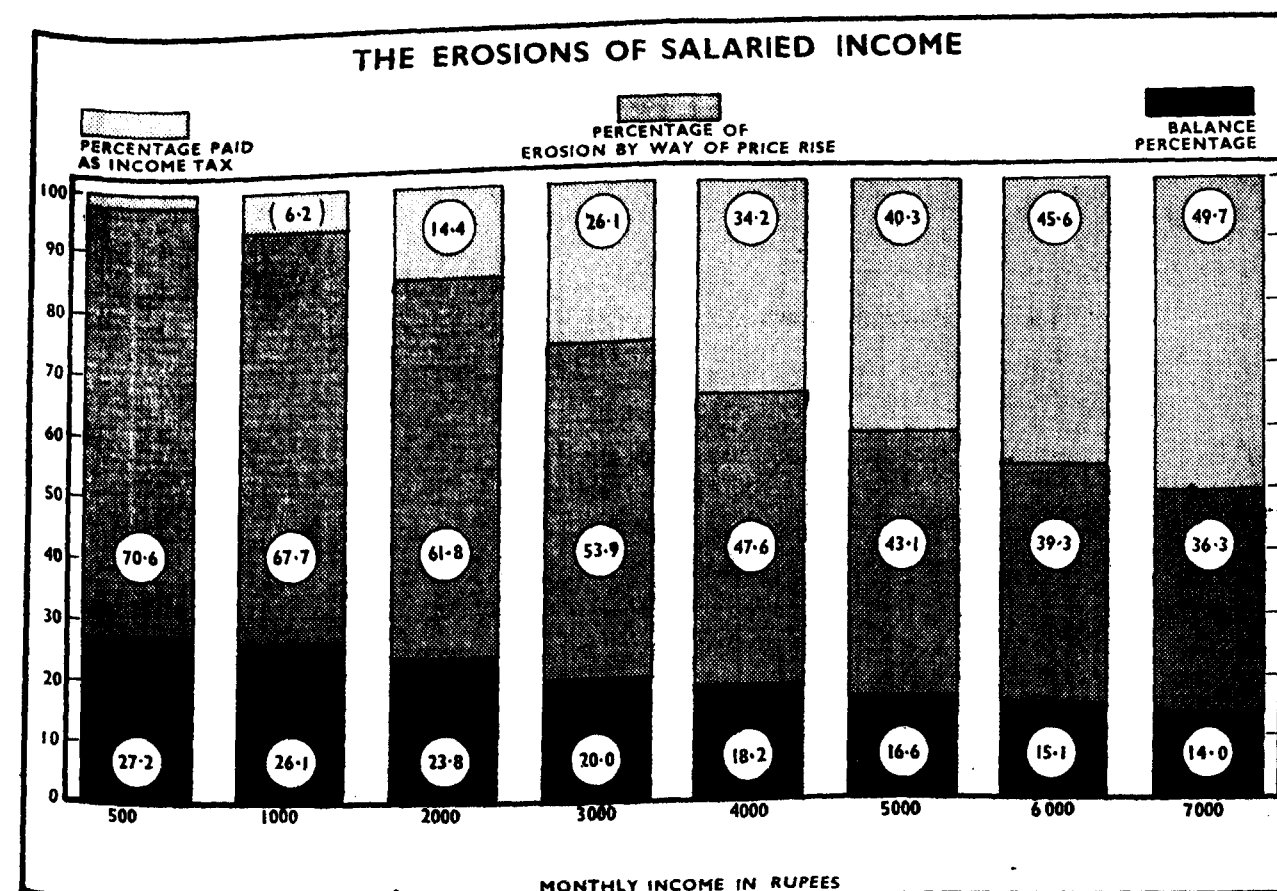
INDUSTRIAL SHARES PRICES

(Base: 1948=100)

Country	1939	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955
Australia	60	69	79	92	100	96	114	137	103	102	108	118
Austria	28*	N.A.	98	173	100	85	72	87	113	113	172	258
Belgium	52	180	175	118	100	103	111	130	138	133	149	149
Canada	35	37	101	93	100	96	119	160	165	149	160	223
France	95	59	77	96	100	91	89	106	137	147	206	303
India	66	140	184	138	100	76	78	85	72	69	82	91
Japan	N.A.	N.A.	43	43	100	210	119	144	252	380	271	259
Netherlands	52	N.A.	81	97	100	91	90	90	80	88	115	139
South Africa	37	71	37	98	100	77	72	78	62	56	58	60
Sweden	75	105	111	113	100	99	115	148	137	138	174	188
Switzerland	83	83	98	105	100	91	98	117	117	111	123	146
United Kingdom	64	98	109	111	100	89	90	104	90	102	134	158
United States	73	94	110	98	100	93	120	147	156	156	191	261
West Germany	N.A.	N.A.	N.A.	N.A.	100	117	200	283	360	338	480	263

N.A. = Not Available.

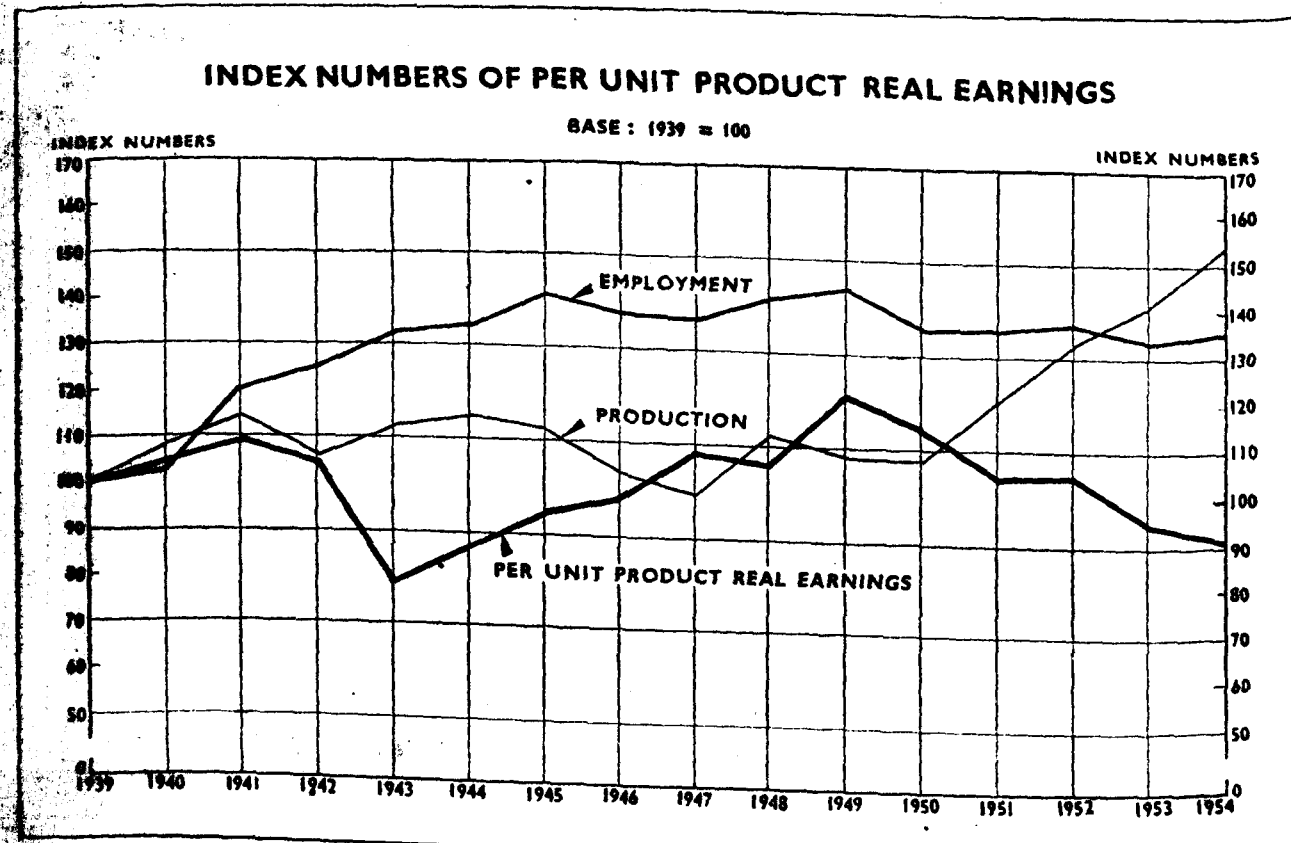
* 1938.



INDICES OF 'PER UNIT PRODUCT EARNINGS'
and 'Per Unit Product Real Earnings' in Indian Industry
(1939=100)

Year	Index of Earnings (A)	Index of Real Earnings* (A)	Index of Employment (B)	Index of Production (C)	Index of Per Unit Product Earnings $\left(\frac{A \times B}{C}\right)$	Index of Per Unit Product Real Earnings $\left(\frac{A \times B}{C}\right)$
1939	100.0	100.0	100.0	100.0	100.0	100.0
1940	105.3	108.6	103.7	108.1	101.0	104.1
1941	111.0	103.7	120.6	114.3	117.1	109.4
1942	129.1	89.0	125.3	106.9	151.3	104.3
1943	179.6	67.0	132.8	112.2	212.5	79.3
1944	202.1	75.1	134.1	115.7	234.2	87.0
1945	201.5	74.9	141.5	112.5	253.4	94.2
1946	208.6	73.2	137.8	102.9	279.3	98.0
1947	233.2	78.4	136.6	99.1	349.9	103.0
1948	304.0	84.4	141.4	112.3	382.0	106.2
1949	340.3	91.7	143.3	108.4	449.8	121.2
1950	334.2	90.1	136.0	107.2	423.9	114.3
1951	356.8	92.2	135.7	120.4	402.1	103.9
1952	385.7	101.8	136.7	133.2	395.8	104.4
1953	384.6	99.9	133.1	140.8	363.5	94.4
1954	381.2	102.7	135.9	153.6	337.2	90.8

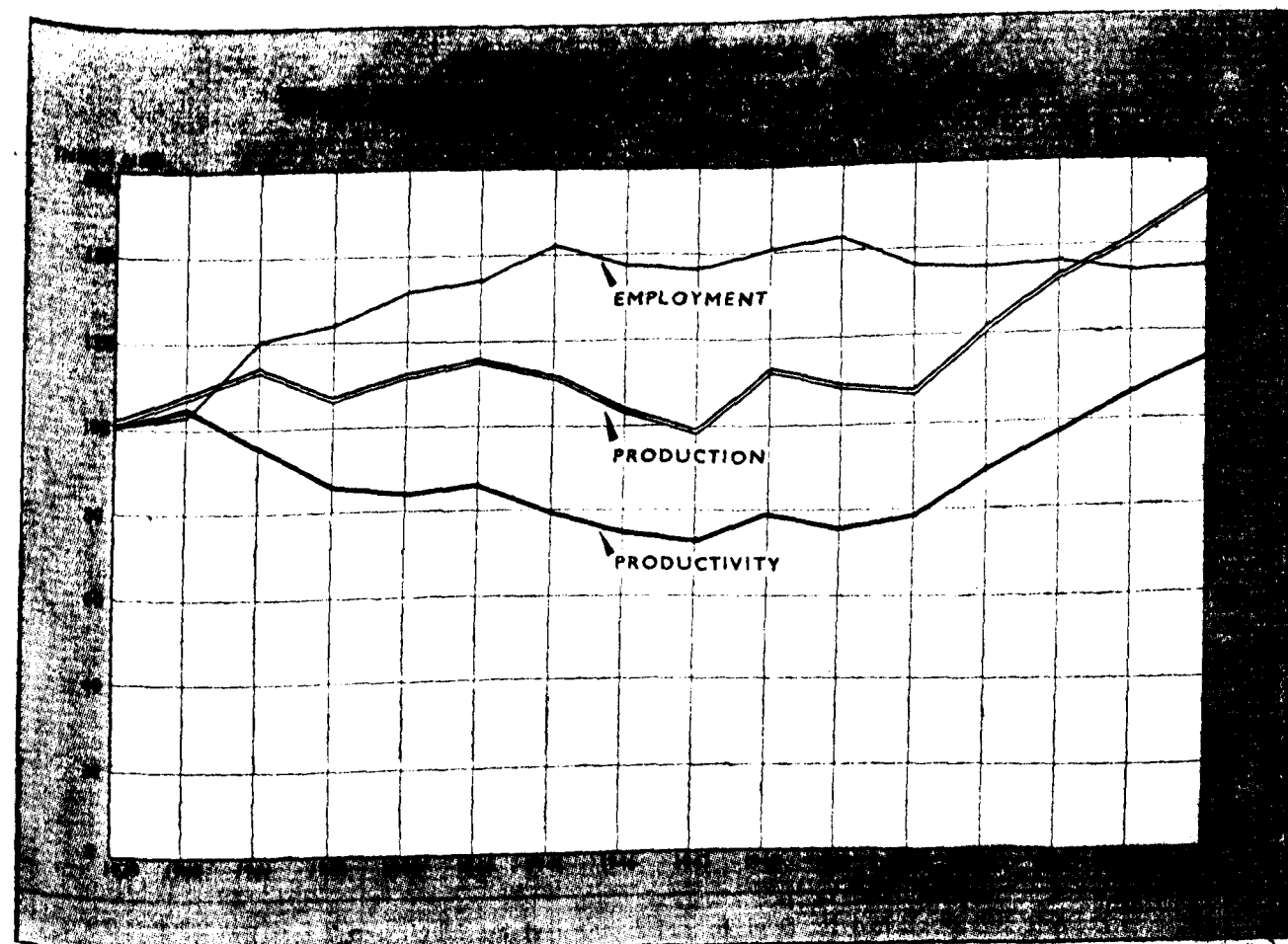
*Deflated by All India Consumer Price Index.



INDEX NUMBERS OF INDIAN INDUSTRIAL PRODUCTION
(Base: 1939 = 100)

Year	Cotton Textile	Jute Manufactures	Paper	Iron and Steel	Cement	Sugar	Chemicals	Weighted Index of Industrial Production
Weights based on labour cost	57.38	25.32	1.18	4.53	0.93	5.46	5.20	100.00
1940	99.3	104.0	125.6	100.4	99.5	169.6	128.3	106.2
1941	110.1	100.0	137.2	104.9	121.5	173.1	147.4	113.1
1942	97.8	107.7	133.2	109.3	127.2	125.4	133.5	104.9
1943	112.2	91.3	132.6	113.2	123.2	152.5	133.4	110.0
1944	117.8	93.8	142.6	111.7	119.1	155.3	131.5	114.5
1945	115.1	91.3	145.4	114.3	128.5	136.8	121.6	111.0
1946	97.7	91.5	143.1	104.0	118.4	128.8	129.1	100.5
1947	93.6	88.4	125.6	98.4	111.2	125.7	132.6	96.8
1948	99.6	91.7	132.2	98.4	119.2	159.1	204.6	108.3
1949	97.4	77.6	139.4	108.8	161.4	139.7	250.8	104.3
1950	89.0	70.3	147.9	115.6	200.7	134.3	296.6	100.5
1951	99.0	73.6	178.0	120.6	245.3	155.6	335.9	111.3
1952	111.2	80.0	185.6	126.9	271.5	204.5	501.9	132.0
1953	117.1	73.0	188.6	121.2	290.2	168.2	668.3	140.7
1954	120.5	78.0	209.6	135.4	337.6	140.6	803.5	150.1

Source: Indian Labour Gazette

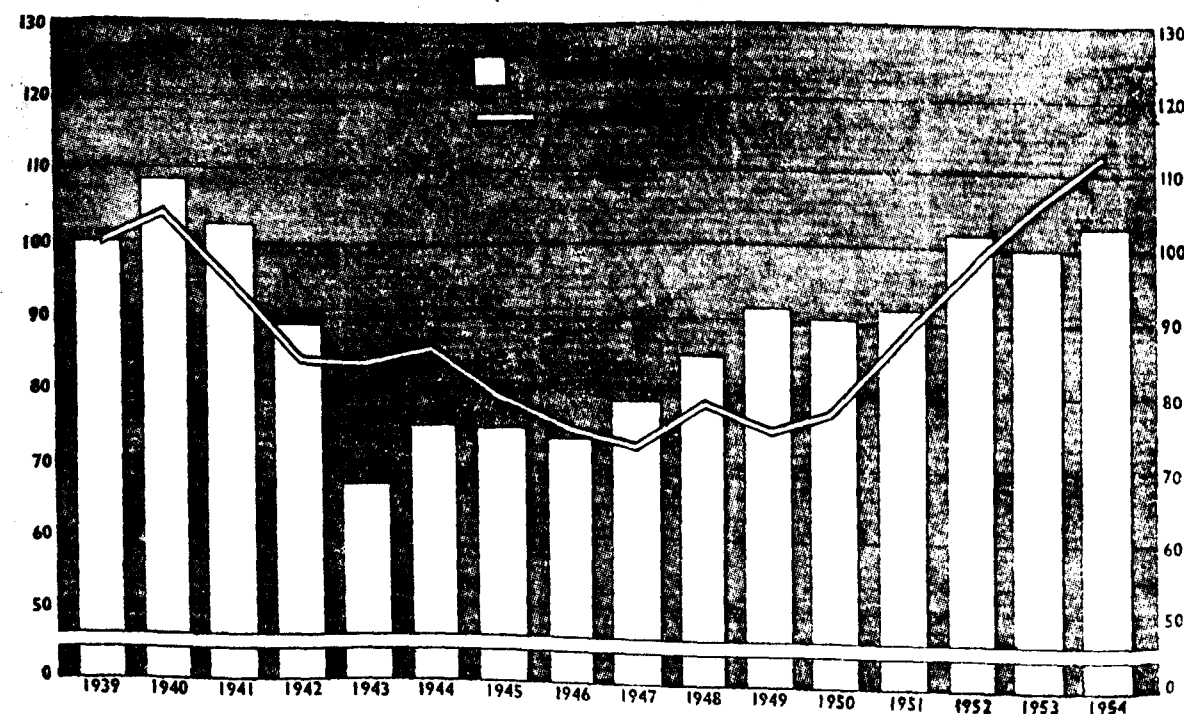


INDICES OF REAL EARNINGS AND PRODUCTIVITY IN INDUSTRY

		Index of Earnings (x)	All India Consumer Price Index (y)	Index of Real Earnings $\left(\frac{x}{y} \times 100\right)$	Index of Employment (E)	Index of Production (P)	Index of Productivity $\left(\frac{P}{E} \times 100\right)$
1939	..	100.0	100	100.0	100.0	100.0	100.0
1940	..	105.3	97	108.6	103.7	108.1	104.2
1941	..	111.0	107	103.7	120.6	114.3	94.8
1942	..	129.1	145	89.0	125.3	106.9	85.3
1943	..	179.6	268	67.0	132.8	112.2	84.5
1944	..	202.1	269	75.1	134.1	115.7	86.3
1945	..	201.5	269	74.9	141.5	112.5	79.5
1946	..	208.6	285	73.2	137.8	102.9	74.7
1947	..	253.2	323	78.4	136.6	99.1	72.5
1948	..	304.0	360	84.4	141.4	112.3	79.5
1949	..	340.3	371	91.7	143.3	108.4	75.6
1950	..	334.2	371	90.1	136.0	107.2	78.8
1951	..	356.8	387	92.2	135.7	120.4	88.7
1952	..	385.7	379	101.8	136.7	133.2	97.4
1953	..	384.6	385	99.9	133.1	140.8	105.8
1954	..	381.2	371	102.7	135.9	153.6	113.0

Source: Indian Labour Gazette, November, 1955.

TREND IN THE INDICES OF PRODUCTIVITY AND REAL EARNINGS

BASE: 1939=100
(INDEX NUMBERS)

Printed and Published by Devi Prasad Sharma at the Hindustan Times Press,
for "The Eastern Economist" Ltd., 52, Queensway, New Delhi. Editor:—E. P. W. da Costa, M.A. (Oxon.)

The Electricity Industry

CONTENTS

Electricity and the Plan	.. .. .	i	Problems of Taxation	.. .. .	viii
Working of State Electricity Projects	.. .. .	ii	Code of Financial Control	.. .. .	x
Growth in the Private Sector	.. .. .	iv	Future of Free Enterprise	.. .. .	xii
The Concept of Fair Return	.. .. .	vi	Conclusion	.. .. .	xiii
U.S. Rate Regulation Trends	.. .. .	vii	Statistics	.. .. .	xiv

Electricity and the Plan

THIS Blue Supplement is concerned primarily with the implications of the programme provided for the development of electricity in the second Five-Year Plan. This is one of the key features of the Plan since the progress of industrial development depends, in a substantial measure, upon the supply of power in different forms in an adequate measure, just as it depends upon the supply of sufficient capacity for transport. Planning for electricity is a long-term project extending far beyond the life of the individual plans of five years. The extent to which our ideas of the magnitude of the development of electric power are changing radically can be easily seen. At the time of the framing of the first Plan it was assumed that a target of installation of 7 million kW capacity at the end of the third Five-Year Plan would meet all reasonable requirements of our fast expanding industrial economy. Now this target of 7 million kW of capacity has been considerably advanced and it is accepted as the minimum that is essential for the requirements of the second Five-Year Plan. The capacity target at the end of the third Five-Year Plan has been pushed provisionally to 15 million kW.

An important question which needs to be asked in regard to the plan of electricity development for the next five years is whether the targets of production of electricity will answer the demands that will be made particularly by industrial consumption. This is so because the share of industrial consumption assumed in total electricity consumption will now advance to about three-fourths of the aggregate. The importance of the other sources of consumption need not be minimised, but the primary test by which the adequacy of the capacity and production targets should be determined is the ability of the Plan to supply the requirements of industry. Installed capacity is to be increased from 3.4 million kW at the beginning of the second Five-Year Plan to 6.9 million kW at its end which means an in-

crease of 3.5 million kW over the five-year period. In terms of generation of electricity, output of electrical energy will be increased from 11,000 million kWh to 22,000 million kWh.

All the energy to be generated will not be consumed in toto, and it is estimated that consumption will increase from 7 million kWh at the end of the first Plan to 16,600 million kWh after five years. Estimates about the probable pattern of consumption made by the Planning Commission have reached the conclusion that industrial consumption will increase from 4,600 million kWh at the end of the first Plan to 12,000 million kWh at the end of the second Plan. This amounts to an increase of 160 per cent in the industrial consumption of electricity over the second Plan period. Assuming that the increase in industrial production in the second Plan will be of the order of 100 per cent above the volume of production at the end of the first Plan, a provision of 160 per cent for additional consumption appears to be reasonable. The Plan estimates are based on a surplus of 5,400 million kWh for total consumption, partly as a standby in the case of emergency and partly to provide for the factor of seasonal fluctuations in the water flow in hydro-electric installations.

On the face of it, this plan for targets of capacity and production appears to answer reasonable requirements. But there is a vital snag in this planning which needs to be highlighted. It needs to be underlined because the entire planning cannot be expected to go through in all its details. Out of the increase of 3.5 million kW of capacity prescribed for the second Plan, 2.9 million kW have been assigned to be public sector. Of these 2.9 million kW, as high a proportion as 2.1 million kW has been allotted to the hydro-electric sector where water resources are by no means an assured quantity. The target of output naturally depends upon

the fulfilment of the target for additional capacity. It would be a bold assertion to make that the public sector will achieve its assignment of the increased target of 2.9 million kW in the second Plan.

Doubts about the achievement of the target of this order cannot be dismissed as baseless and unwarranted. If the achievement of the public sector in the first Five-Year Plan is a reasonable index of likely, or perhaps inevitable, shortfall, these doubts might prove to be quite reasonable, on the contrary. In the first Five-Year Plan there was a shortfall in installation of capacity in the public sector of the order of 300,000 kW, which was 27 per cent of the public sector's total target. If any shortfall of some such order, or possibly of a lower order, occurs, appreciable shortages of output and supply of electricity will emerge in the course of the second Plan. This is the likely gap which needs to be bridged as the progress of the Plan comes to be reviewed year by year. One of the articles on the working of State electricity projects in the recent past which follows in this Supplement examines the actual behaviour of the public sector in the electricity supply industry.

In view of a very nice balancing of requirements of electrical energy in the second Plan and its supply, without any margin of likely shortcomings in the execution of individual projects for additional power capacity, it becomes of the utmost importance that the private sector should be provided with all the aids that it will require to fulfil its assigned target. Private companies have been allotted the task of installing an additional capacity of the order of 300,000 million kW, exclusive of 300 million kW which are expected to arise from the generating plants to be installed by industrial units themselves for their own consumption. Will the private sector be in a position to discharge this responsibility? The answer to this question depends upon not merely the potential for development in the private sector but upon other factors which will be brought into play to translate that potential into actual performance. In the first Five-Year Plan the private sector fulfilled its target of additional installation of capacity

of the order of 200,000 million kW without any margin of shortfall. This achievement gives a reasonable promise that, given the necessary resources and aids, there is no reason why the private sector should not repeat its record of the first Plan.

The total outlay for generation and distribution of electricity prescribed for the private sector is of the order of Rs. 42 crores. This undoubtedly puts an appreciable burden on the present resources of the industry, but private electricity undertakings have unhesitatingly accepted the new responsibilities assigned to them. This readiness on their part to raise the necessary financial resources must, of course, be accompanied by a proper climate which will induce the flow of equity capital in the undertakings. It cannot be said, unhappily, that all the incentives necessary to secure a flow of this order are at present provided. The Electricity Supply (Amendment) Bill which is now pending before Parliament falls considerably short of the minimum requirements in respect of the standard rate of return, the needs for building up a development reserve for a dynamic industry and the provisions regarding computation of clear profits after making allowance for charges of interest on loans and debenture. These are only some of the gaps in the creation of the necessary climate for expansion. The articles that follow deal exhaustively with these and similar issues. It is, therefore, essential that while the amending Bill is still on the legislative anvil there should be modifications of its provisions to give full incentives that are necessary to build an expanded electricity industry on the scale fixed in the second Plan.

The broad conclusions reached here are that the targets of installation of capacity in the public sector need to be revised to avoid the probability of shortfalls in the supply of electrical energy. Whether in the segment of production or distribution, the onerous responsibility that has been cast upon private undertakings can be discharged if, and only if, incentives for investment of the required order are written into the Statute.

Working of State Electricity Projects

THE Electricity (Supply) Act, 1948, when it was placed on the Statute Book on September 10, of that year, originally permitted a period of two years for State Governments to constitute Electricity Boards. However, under the executive powers vested in the Central Government, this period was extended year after year, and the current notification has extended the date in respect of States other than Madhya Pradesh, Delhi, Saurashtra, Bombay, and West Bengal to March 31, 1957, the Electricity Boards in the States mentioned having been constituted in February, 1951, March 1951, March, 1954, November, 1954 and April, 1955, respectively.

A PROBE INTO ACCOUNTS

The Electricity (Supply) Act casts an obligation on the State Electricity Boards to publish accounts "in the prescribed manner and place copies thereof on sale at a reasonable price". The available accounts of the State Electricity Boards are discussed later in this article, but before going to them, it is worth while having a peep into the working of State Electricity projects available from a study of the Taxation Enquiry Commission's Report. The Commission have, in Volume I of their report, analysed the working of State Electricity Schemes which indicate that only two States (Punjab and Uttar Pradesh) "derived sizable net profits in 1953-54 from departmentally operated electricity undertakings, after meeting working expenses, depreciation and interest charges". It would be appropriate

to introduce here the summarised statement indicating net receipts under Electricity Schemes in the various States published in the Commission's Report. The apparent turn in the working results of the State Electricity Schemes is, in the main, attributed to the "increase in interest charges on account of new projects which have not yet attained full productivity". It would be fruitful to attempt an analysis of the latest available accounts of the State Electricity Boards themselves.

SOME SPECIFIC CASES

The accounts of the Delhi State Electricity Board for the year ended March 31, 1954, indicate a total revenue of Rs. 1,43,03,848 (including Rs. 5,34,133 being receipts from other sources) which works out to roughly 30 per cent of the gross block (Rs. 4,91,07,580). The total operation expenditure comes to Rs. 91,74,028, of which salaries amount to Rs. 29,71,920 (approximately 32 per cent). Depreciation during the year at Rs. 13,45,748 represents 2.74 per cent of the gross block, while the total depreciation reserve of Rs. 79,53,863 amounts to 16.2 per cent of the total gross block at the end of the year. The accounts of the Madhya Pradesh Electricity Board for the year ended March 31, 1953, show a loss of Rs. 19,06,485, while the net deficit of the working of the Bombay Electricity Board for the year 1954-55* is of the order of Rs. 26,05,674.

* Part of the period covers the activities of the former Grid Department of the Government of Bombay.

The working of the Saurashtra Electricity Board, according to the first Report of the Board for the period ending December, 1955, indicates a revenue deficit of Rs. 43,522, and the Board has visualised the need for "substantial subsidies", if it is not to suffer loss on the operation of the several rural electrification schemes.

With State Government Electricity Departments not being subject to any regulation, and thus free to operate without rigid restraints, their accounts do not reflect a true picture of the financial situation which an undertaking run on commercial lines has to face. Even in the case of State Electricity Boards, which are obliged to publish Annual Reports, statistics and returns "in such form and manner as may be prescribed by the State Government", the published work- results are not comparable with the accounts of undertakings operated by commercial enterprise. One redeeming feature about the working of State Electricity Boards, as distinct from the State Electricity Departments, is that, in terms of the Electricity (Supply) Act, "the Board shall not, as far as practicable...., carry on its operations under a loss, and shall adjust its charges accordingly from time to time." The need for State Electricity Undertakings functioning on a sound financial basis has also been recognised by the Taxation Enquiry Commission in that the Commission has seen "no objection to pricing policies which aim, over a long period, realising a surplus from the operation of the undertakings." The Commission goes on to say that, "although public purpose rather than profit should be the guiding factor in the operation of a public undertaking, every effort should be made to place Government industrial undertakings on a sound financial basis, so that losses are avoided and a reasonable return is secured as far and as soon as possible".

CHARGES AND COST OF SUPPLY

The basic conclusion thus is that the charges to the consumers levied by undertakings, whether State-owned, or operated by statutory Electricity Boards, cannot but face, as the commercially operated undertakings are obliged to face, the reality that they should be equal to the real value of the resources used up in serving them. A similar conclusion has been arrived at by the Herbert Committee, which recently reported on the UK Electric Supply Industry. Says the Committee:

"The industry could, without financial embarrassment, jog along comfortably without much effort and it could be used as a device for implementing national policies and for transferring income from one section of the community to another without the burden of these policies being properly weighed in Parliament or by the Minister. We attach great importance, therefore, to the industry being run on business lines. It should have one duty and one duty alone: to supply electricity to those who will meet the costs of it and to do so at the lowest possible expenditure of resources, consistent with the maintenance of employment standards at the level of the best private forms. Any deviation from this task should be undertaken only on precise instructions. The line between the Government and the industry should be a closer one for all to see."

These are weighty considerations which need to be borne in mind by all electric supply undertakings in the public sector, as, indeed, by all undertakings operated by State or quasi-State statutory corporations.

NET RECEIPTS UNDER ELECTRICITY SCHEMES IN THE STATES

(Lakh of Rs.)

	1952-53					1953-54 (R.E.)					1954-55 (B.E.)				
	Gross Receipts	Working Expenses	Depreciation	Interest Charges	Net Receipts	Gross Receipts	Working Expenses	Depreciation	Interest Charges	Net Receipts	Gross Receipts	Working Expenses	Depreciation	Interest Charges	Net Receipts
Andhra a	..	..	..	..	98	72	12	83	-69	104	69	12	106	-83	..
Assam	..	..	..	..	..	47	..	9	-23	61	62	..	13	-14	..
Bihar	20	29	..	5	-14	33	90	..	N.A.	23	151	128	..	N.A.	23
Bombay	57	51	..	N.A.	6	113	..	Not Available	..	..	..	..	..	..	..
Madhya Pradesh b	69	41	21c	26	-19	..	300c	55c	168	-21	526	319	62	184	-39
Madras a	517	358	54	189	-84	502	12	1	12	-14	17	17	1	16	-17
Orissa	6	9	1	8	-12	11	66	14	36	27	155	108	19	40	-12
Punjab	149	47	15	32	55	143	79	44	17	9	291	171	45	37	38d
Uttar Pradesh	144	75	37	16	16	149	13	2	5	-2	24	15	3	6	..
West Bengal	11	6	2	4	-1	18	..	..	..	..	91	52	31	8	..
Hyderabad	..	..	..	..	..	..	40	2	N.A.	5	57	45	3	N.A.	9
Madhya Bharat	38	31	2	N.A.	5	47	86	57	81	2	235	95	65	89	-14
Mysore	217	75	52	69	21	226	32	1	..	-8	31	32	2	..	-3
PEPSU	22	28	1	..	-7	25	109	..	7	-16	105	111	..	12	-18
Rajasthan	87	102	..	6	-21	100	23	5	5	-1	34	26	5	7	-4
Saurashtra	29	26	..	4	-1	32	30	15	59	-4	120	37	18	68	-3
Travancore-Cochin	31	27	14	50	-10	100	..	..	..	..	..	..	..	..	..

a The figures for Madras and Andhra for 1953-54 (R.E.) are available for second six months only and have been doubled. The data for 1952-53 shown against Madras are for the composite State of Madras.

b For Madhya Pradesh the data given for 1952-53 relate to the Madhya Pradesh electricity project which is managed through a Board. No information is available for later years.

c Provisional figures.

d In Uttar Pradesh a substantial increase in net receipts is expected in 1954-55 due to a change in classification; hydel receipts which were formerly shown under the head "Irrigation" have been transferred to "receipts from Electricity Schemes".

The totals under various columns are not shown as data for certain States, are incomplete and are not strictly on a comparable basis.

N.A.—Not Available.

Growth in the Private Sector

WHAT has been the role of the private sector in electricity development? It is believed that the first electric supply undertaking in the country was sponsored by a company which constructed a small generating station in the ancient and historic city of Surat. This was in the year 1883, and the undertaking must have been one of the earliest supply companies anywhere in the world. Next year, a disastrous flood of the Tapi river submerged its plant. The Company is reported to have been sued for breach of contract by the Municipality and it went into liquidation. So, thanklessly, ended the first pioneering effort at electrification. The next major venture was the formation of the existing undertaking in Calcutta.

PRIVATE SECTOR BEARS FULL BURDEN

Apart from the general administration of the Indian Electricity Act, 1910, by the then Provincial Governments, little official interference with commercial concerns occurred until the 1930s, though, at the same time, little or no encouragement was shown. In fact, the Companies supplying energy in India today and those which, until recently, were operated by licensees not only pioneered but, for many years, formed virtually the only sources of electricity in the country. Today, there are some 320 company-owned electricity undertakings operating in the Indian Union, amongst which are a number of considerable size, notably at Calcutta (363,000 KW) and Ahmedabad (142,000 KW), not to speak, of course, of the famous Tata Hydro-Electric System, which, from its present capacity of 274,000 KW, is to become a combined hydro-thermal project with a total of 434,000 KW. There are besides

Ownership				No. of Under- takings Own- ing Generat- ing Stations	Installed Capacity of Generating Plant		Generation	
					As at 31-12-1947	Percentage of Grand Total	KWHrs Generated in 1947	Percentage of Grand Total
					KW	%	Million	%
State Owned:								
(a) Government				 97	487,112	35.73	1475.944	36.23
(b) Municipalities				 14	12,545	0.92	30.877	0.76
Private Owned:								
Companies				 229	863,608	63.35	2566.497	63.01
TOTAL				 340	1,363,265	100.00	4073.318	100.00

These figures for the year 1954 were:

Ownership		No. of Under- takings Own- ing Generat- ing Stations		Installed Capacity of Generating Plant As at 31-12-1954		Generation	
				Percentage of Grand Total		KWHrs Generated in 1954	Percentage of Grand Total
(i) State Owned:							
(a) Government and Board		..	203	1,027,536	41.2	3176.320	42.2
(b) Municipalities		..	16	27,593	1.1	44.120	0.6
(c) Power Corporations ..		..	1	154,000	6.2	169.527	2.3
(ii) Companies		..	214	1,284,507	51.5	4131.810	54.9
TOTAL		..	434	2,493,636	100.0	7521.077	100.0

Although within a short period, when more and more multipurpose projects undertaken by the State agencies come into operation, the balance of generation is bound to be tilted in favour of the public sector for a number of years to come yet, the licensees'

undertakings of medium size such as in Lucknow (18,500 KW), Allahabad (15,750 KW)*, Agra (11,500 KW), Jubbulpore (13,250 KW) and Banaras (11,750 KW).

Much publicity has recently been accorded to the ambitious new schemes of both the Central and the State Governments in the sphere of electrical development. But they are mostly integrated with multi-purpose projects or are suitable for rural electrification. No one will dispute the importance of such schemes, but that is no reason why the services of the private sector, which has contributed so largely to the common cause during the last 50 years, should be belittled. Nationalisation is no guarantee that a cheaper or more efficient service to the public would result. Experience confirms the contrary trend. Enterprises in the public sector prove a liability to the exchequer for a long initial period. Therefore, private enterprise must be permitted to function smoothly without intervention.

PREDOMINANCE STILL MAINTAINED

During the past decade, a number of power supply systems operated by private enterprise have been acquired by the State, and a number of major schemes have been brought to fruition in the public sector. In spite of this development, it is noteworthy, the contribution of the private sector still continues to be greater than that of the public sector.

In 1947, the installed capacity and generation by ownership were:

* Includes 4,000 kW set under erection.

undertakings would constitute a sizable sector of the industry and will, in addition, be the medium through which power generated by the State projects will have to be distributed to the consuming public.

FUTURE EXPANSION

Almost all undertakings have schemes for expansion during the second Five-Year Plan, and an investment to the tune of Rs. 50 crores has been visualised in the private sector. This certainly is a target which has some regard to reality, for, in the year 1953 (the latest year for which statistics are available), the private sector of the industry registered an outlay of Rs. 9869 lakhs as follows:

Name of the State	State Owned			Total
	Gov-ernment	Munici-palities	Private Companies	
Andhra	234	15	44	293
Assam	..	..	59	59
Bengal (West)	38	17	4115	4170
Bihar	60	..	329	389
Bombay	530	1534	3524	5588
Centrally Administered Areas:				
(a) Delhi	428	90	..	518
(b) Rest	71	..	69	140
Hyderabad	280	..	..	280
Jammu & Kashmir	57	..	..	57
Madhya Bharat	102	2	40	144
Madhya Pradesh	640	..	257	897
Madras	1987	60	415	2462
Mysore	1821	..	..	1821
Orissa	36	..	49	85
Punjab (I)	813	162	74	1049
Rajasthan	197	..	58	255
Saurashtra	82	..	137	219
Travancore-Cochin	592	7	26	625
Uttar Pradesh	1134	139	664	1937
TOTAL	9151	2029	9869	21049

ELECTRICITY (SUPPLY) ACT

All the companies are financed predominantly with Indian capital, and it will not be out of place, therefore, to digress a little here to discuss the prospects for the investors in electricity shares who are mostly small holders. But discussion of this subject postulates some knowledge of the Electricity (Supply) Act and the background under which the Act was enacted.

Now, for the genesis of the legislation, one should turn to the proceedings of the Policy Committee No. 3C on Electric Power, which recommended:

- that the development of electricity supply in areas outside existing licensed areas should be actively pursued as far as possible, as a State, or quasi-State enterprise, but if, for any reason, the State is not prepared to undertake such development in any area within a reasonable time, private enterprise should not be excluded;
- that, provided sufficient and economic operation could be assured to the public, options existing under any licence to acquire an undertaking should, as a general rule, be exercised when they arise; and
- that steps be taken to eradicate any factors that retard the healthy and economical growth of electrical development on regional lines whether in State and Local Authority owned or in commercially owned undertakings.

These recommendations were accepted by the Government substantially. In February 1946, the Electricity (Supply) Bill was introduced in the legislature.

Although the Policy Committee's Resolution of February, 1945 was the main inspiration for the framers of the Act, they had also for consideration, prior to that, the Government of Bombay's demand for extraordinary powers for the projected "Grid" Schemes of the State. At the same time, the Government of India, in the middle of 1944, had circulated a set of draft principles for the control of Public Utility Electric Supply Finance so as to stabilise the situation created by the vagaries of the Advisory Boards appointed by the erstwhile Provincial Governments under the Indian Electricity Act, 1910.

Everything thus pointed to the need for a comprehensive Central legislation, and the enactment of the Electricity (Supply) Act in September, 1948 brought to fruition the efforts of the Government of India to place on the Statute Book a measure "for the rationalisation of the production and supply of electricity and to take measures conducive to the electrical development of India," as the preamble to the Act says.

The Electricity (Supply) Act, 1948 is by and large modelled on the UK Electricity (Supply) Act, 1926. The Sixth Schedule governing the financial provisions, from most Licensees' point of view, is probably the crux of the measure and, in drawing up the Schedule, the framers of the Act are said to have made an exhaustive study of the US Rate Regulation Practice, but it may be stated that the Schedule does not approach, either in form or in substance, the American Public Utility Legislation. Indeed, this Schedule is entirely a departure, aiming, as it does, at rate regulation by means of legislation, instead of through the agency of Regulation Commissions as under the American method.

SMALL UNDERTAKINGS

The role of the small-sized undertaking in the country's electrification bears brief reference. At the end of 1954, as many as 83 undertakings operated with plant less than 250 kW. Many of them are not viable and operate in areas where adequate loads do not offer themselves and where there are little possibilities of enough load developing. To most of them, the earning of a reasonable return is out of the question, but, having gone into the business, they carry on as best as they can. They are too small and, owing to the absence of load diversity, are unable to offer attractive promotional tariffs; again, owing to lack of revenue, they are unable to sustain a properly trained staff and command capital at a sufficiently attractive rate of interest to ensure full development of the area of supply.

Nevertheless an important feature which argues in their favour is that they function as instruments for opening up the countryside. This factor needs to be recognised in its full implications for the future direction of development.

OBJECTIVES

The private sector of this industry has consistently sought to promote the following objectives: (1) An overall increase in the production of electricity; (2) the generation of this increased quantum of power in the most efficient units and its distribution over a wide area through integrated power systems, and (3) development of the electrically backward areas in general. Past performance is a reasonable guarantee for future service on an extensive scale provided incentives are properly sustained.

The Concept of Fair Return

A notable characteristic of a public utility, as compared to, say, an ordinary manufacturing company, is its much greater investment per rupee of annual income. The following table illustrates the wide disparity in the ratio "gross revenue/capital employed" that exists between different industries:

Classification	Year of Account	Ratio Gross Revenue| Capital Em- ployed
Hydro Electric generation and bulk supply	1953-54	0.194
Steam generation and distribution	1953-54	0.221
Distribution only	1954-55	0.296
Cotton and silk textiles	1953-54	2.295
Cement	1953-54	1.015
Manganese Mining	1953-54	2.156

It is the capital-intensity that makes it contrary to public interests to duplicate a public utility in any particular area. As the field of operation in any particular licence area is restricted to one utility, State regulation of the utility has developed to protect the interest of the consumer.

REGULATION PRIOR TO 1948 AND AFTER

Prior to the enactment of the Electricity (Supply) Act, 1948, provision for rate regulation existed in terms of Clause XI of the Schedule to the Indian Electricity Act, 1910. This regulation was exercised through an 'ad hoc' Advisory Board appointed by Government. What happened in practice, in certain States, was that an "Enquiry Committee" was appointed "to investigate the rates of all electric supply companies which were of more than seven years' standing and to recommend the maximum rates which they could be allowed to charge". This committee went into the affairs of licensees and coerced them to reduce rates by the more or less open threat to constitute a "packed" Advisory Board, under the Indian Electricity Act, 1910, if they failed to comply. This led to the need for the enactment of a comprehensive Central law, and it is against this background that the financial provisions embodied in the Electricity (Supply) Act, 1948, have to be viewed.

Now, the financial control exercised by the Electricity (Supply) Act, 1948 is through the mechanism of price control, and, in the process, what constitutes the Capital Base (or Rate Base) and the 'Reasonable Return' on that are determined. In other words, the financial provisions are so designed as to permit the licensee to earn a "Reasonable Return" so as to "enable him to raise funds in the market necessary for the proper continuity of his public duties".

EVOLUTION OF THE "STANDARD RATE"

The Electricity (Supply) Act for the present restricts the Reasonable Return permitted to be earned by the investor in the Industry to five per cent and, before proceeding to discuss the adequacy or otherwise of this limit, it would be appropriate to touch upon the various proposals under consideration before the Act pitched upon the figure of five per cent.

The Electricity (Supply) Bill, introduced in the then Legislative Assembly of India on February 7, 1946, sought to link the "Standard Rate" to the Reserve Bank Rate with a variation of 6½ per cent per annum in the case of undertakings less than 10 years and 4½ per cent in any other case. Out of this the undertaking

had to pay its own income-tax, though super tax was allowed as an expense.

The financial provisions embodied in the Bill were subsequently referred to an expert Advisory Board, and this Board recommended the linking of the rate to the redemption yield on the longest-dated Central Government terminable loan, as follows:

Nature of Investment	Rates as in Principles	Resultant Totals for 1946
Redemption yield on longest dated Central Government terminable loan	X %	2.8%
Maximum rate of interest on Debenture Capital permitted as an expense under the Principles	X plus 1.5%	4.3%
Maximum Rate of interest on Preference Capital permitted as an expense under the Principles	X plus 2.5%	5.3%
Standard Rate on Capital Base permitted under the Principles		
(a) On that portion of capital base which is in excess of Rs. 50 lakhs	X plus 2.5%	5.3%
(b) On that portion of capital base between Rs. 10 lakhs and Rs. 50 lakhs	X plus 3.0%	5.8%
(c) On the first Rs. 10 lakhs of capital base	X plus 3.5%	6.3%

Note: The rates sought to be fixed represent the maxima on investment which was to be permitted in any year.

Ultimately, when the Bill was enacted, the "Standard Rate" was fixed at five per cent flat, "all taxes on income and profits" being treated as an operating expenditure.

In fixing this rate, the Legislature has apparently been influenced by the generally accepted popular belief that, in a "monopoly" like electric supply, funds could be attracted by offering the barest minimum return. But, contrary to popular opinion, electric supply business is not totally free from competition. In domestic supply there is competition from other forms of illuminants, and, in the case of power supply to industry, there is the ever present threat of self-generation or other form of motive power being resorted to, if the utility's rate for supply happens to be uneconomic. In other words, the electric utility must be able to do the job better and cheaper in order to stay in business.

TEST OF ADEQUACY

The test of the reasonableness of the return is to be judged from whether or not it is adequate enough to promote investment in the industry without watering down the value of the existing equity. This qualification is very important, it must be noted, in the context of the statutory obligation of the underaking to expand in order to meet the growing needs for power of the area it serves. The framers of the Electricity

June 29, 1956.

ELECTRIC INDUSTRY SUPPLEMENT

vii

(Supply) Act were apparently largely influenced by the mere provision of fixing a rate of return which they considered to be "capital attractive"—a term relative to the circumstances of the case. The crux of the matter, in fact, is whether the term "cost of capital" is synonymous with a fair rate of return and whether such cost would cover equity capital, in the raising of which the Electric Supply Industry has to compete against other industries offering relatively higher return.

Another factor of serious consequence is the impact of post-war inflation giving rise to "attrition" because of high cost of new plant and the enhanced cost of giving connections to new consumers. This should not be confused with regulatory lag (which happens, in certain cases, when an undertaking's attempt to adjust rates are forestalled by Government action as a result of uninformed consumer opposition). All these factors need to be assessed in determining the quantum of the rate of return. In a broad sense, therefore, the measure of return should be adequate to maintain corporate credit and to permit a public utility company under efficient management to raise new capital "without impairing the integrity of existing investments". Also the fair rate of return should include something by way of retained earnings—an assurance against the possibility of capital dilution.

PROPOSAL FOR REVISION INADEQUATE

When the Electricity (Supply) Bill was enacted in 1948 and the "Standard Rate" fixed at five per cent the Bank Rate was ruling at three per cent. The Bank Rate has since advanced to 3½ per cent, and this, by itself, has made the Government see the necessity for an upgrading of the rate of return by proposing, in the new Electricity (Supply) Amendment Bill, a revision of the "Standard Rate" from the present level of five per cent to a link-up with the Bank Rate with a differential of two per cent. Against this has been the Industry's long-standing request for a return of at least six per cent, i.e., a differential of 2½ per cent over the Bank Rate.

An important consideration which arises in connection with the Government's proposal is the necessity to fix a floor below which the return to the Industry should not fall, lest the industry be faced with a chance of a lower return than the present level of five per cent because of the Bank Rate being lowered due to

fiscal policies of Government not directly connected with the fluctuations of the money market. Also, when other industries which compete for capital in the money market are able to earn much higher returns, there seems no reason why a differential of at least 2½ per cent over the Reserve Bank Rate should be regarded as unreasonable, especially since, as a basic industry, the electric supply industry also feels the impact, to an appreciable extent, of the ups and downs of the industries which it serves. Undertakings which have expanded recently, or started since the enactment of the Act in 1948, more or less operate on Capital Bases very near to their paid-up capital and this situation will have to be faced by others sooner or later. The effect of this is that, the more a licensee expands his service, the more difficult it becomes for him to maintain his normal dividend and the value of the equity of the investor in the industry. There is, therefore, need for a minimum Reasonable Return of 5½ per cent, irrespective of the Reserve Bank Rate, and the differential over the Bank Rate should at least be 2½ per cent.

NEED FOR ADEQUATE INCENTIVE

In the case of the small-sized undertakings, which find difficulty in raising capital, even this minimum return—5½ per cent—would be insufficient. Many of them are perforce obliged to raise loans carrying rates of interest higher than the "Standard Rate", and this problem can best be solved by State Governments sanctioning to the undertakings concerned, as a special appropriation, the difference between the "Standard Rate" and the actual rate of interest on loan capital, plus ½ per cent "risk money". Most of the small-sized undertakings perform a vital function in opening up the countryside and, therefore, any special assistance given to them would be in the best interests of the nation.

After setting a target of Rs. 42 crores to be raised by the private sector of the industry for electric power development during the second Five-Year Plan period it behoves Government not to place any impediments in the way of this sector achieving the objectives set before it. Indeed, the success or failure of the Plan itself is likely to depend, in a large measure, on a proper appreciation of what is needed to ensure more electricity, so that nothing is more important than to offer a proper incentive to the investor in this industry.

U. S. Rate Regulation Trends

THE financial provisions affecting licensees which are embodied in the Indian Electricity (Supply) Act, 1948, draw their inspiration in some measure from the US Rate Regulation practice, but with this basic difference, namely, that, whereas, under the US Regulation, Commissions conduct 'ad hoc' enquiries before fixing the rates for any given utility, in India, the law lays down a yardstick which is applied by the undertakings themselves, the process being subject to Government test audit. A study of the US rate regulation practice in relation to public utilities would, therefore, be appropriate in this supplement.

EMPHASIS ON INCENTIVES

Fundamental to the rate-making process in the US is the principle that "a reasonable return must be allowed upon the value of property dedicated to the public use"—a principle founded upon constitutional mandate and one which has been firmly established by case laws built up through half a century. In other words, the size of the investment governs a utility's claim for a return, after, of course, providing for operating expenses, taxation, depreciation and all other

proper deductions from revenues attributable to the business. Some voices have recently been raised questioning the economic wisdom of the "property-value" basis of rate-making, on the ground that it fails to give regard to the increase in value because of good management, and a study of the decisions handed down through the years indicates that the regulatory commissions have not been insensible to recognising the need for incentive to good management. Consequently, apart from giving verbal encouragement to efficiency, the Commissions have, in many cases, asserted a policy of rewarding outstanding managerial ability by conceding a higher-than-ordinary rate of return.

In an early case, the State Commission of Illinois indicated that "financial rewards in public utility enterprises should be commensurate with the ability displayed in their management." Another Commission, that of Virginia, went further by saying: "there is just as much reason why operators of public utilities should be compensated for good business judgment and achievement as private business men, and, indeed, to proceed on any other basis would be to encourage incompetence

and slovenliness in the operation of public service corporations which would inevitably reflect itself in inadequate service to the public". Following this, yet another Commission stated that a reasonable share of the savings resulting from economy and efficiency of operation should accrue to the utility, the share being sufficient to constitute an incentive to continued economy and efficiency.

MANAGERIAL PERFORMANCE—A TEST

Managerial performance is also taken into account by a kind of negative process, and this is achieved by omitting from the Rate Base (or Capital Base) assets acquired improvidently. The position of undertakings, which make investments in good faith and in reasonable anticipation of future needs, is, however, safeguarded by Commissions holding that "an improvement that is actually used in public service cannot be withdrawn from the valuation of a utility merely because it becomes apparent, years later, that the expenditure is, in fact, unwise".

Thus, by applying both affirmative and negative processes to the diverse factual situations, the regulatory Commissions have evolved a fairly workable standard of managerial performance for the operation of public utilities. While the standard set is high, it is not theoretical. On this point, it was observed by one Commission years ago that, "if utilities are ever placed on a basis where their return is limited to a fair return under the most skilful management and made subject to further deductions by way of penalisation for every error in judgment, public utility investments will necessarily become so singularly unattractive that further development in expansion in the field will become impossible".

CRITERIA FOR RETURN

For purposes of fixing the Rate Base, historical cost is generally accepted by Commissions, although, in recent years, reproduction cost basis also has been conceded in certain cases. A return of six per cent is normal, and, in a case, a return as high as 8.75 per cent has been sanctioned.

ATTRITION FACTOR

Consequent to the post-war inflation, considerable attention has come to be given by regulatory Commis-

sions and Courts to "attrition"—the gradual reduction in the rate of return caused by the necessity of connecting new consumers at high cost and the time-lag in rate revisions being given effect to. This has led to Commissions making an extra allowance in the rate of return, the mathematical formula adopted in one case being the "addition of 0.031 per cent to the rate of return for every million dollars increase in net plant". Increased return has also been considered by some Commissions to take care of the attrition factor.

DEFERRED TAX

The problem of Deferred Taxation arising out of accelerated depreciation under the Income-Tax Law has been dealt with by a number of Commissions by directing that "the income account is to be normalised by charging an amount equal to the difference between the actual taxes and what the taxes would have been if accelerated depreciation had not been used, to 'Provision for Deferred Federal Income Taxes' or to 'Provision for Future Federal Income Taxes'." There has, however, been a minority view that "saving" or "reduction" in tax should be passed on to the consumer "now" and rates increased when higher taxes are to be paid.

There is, nevertheless, general recognition that the accounting procedure should be such as to prevent an overstatement or understatement of income for the period of tax deferment and an appropriate method should be used which would reflect depreciation expense for both tax purposes and for the purpose of the company's books. The answer, according to one Commission, is "the consistent application of a depreciation method over the life of the property which would approximately offset any variations in depreciation expense".

The purport of the US Rate Regulation, therefore, is to produce the end result of the lowest possible rates which is satisfactory both to the investor in the utility and to the consumer. That the rates must give due regard to the need for a fair return is not a factor which is recognised under sufferance. As the judgment of the Supreme Court of one State has put it, "public utility rates which do not produce income sufficient to cover operating expenses and a reasonable return present a case for judicial intervention".

Problems of Taxation

AN important proposal in the Electricity (Supply) Amendment Bill is, to quote the Statement of Objects and Reasons appended to the Bill, "to provide for the electricity supply industry to avail of the benefits of the Development Rebate permitted under the Finance Act of 1955, by allowing the creation of the Development Reserve". How far the proposal is of real benefit to the electric supply industry may now be examined.

THE DEVELOPMENT REBATE

The clause in the Bill covering the proposal reads:

"VA. (1) There shall be created a reserve to be called the Development Reserve to which shall be periodically appropriated the amount of the difference between the income-tax and super-tax which would have been payable by the licensee if the Development Rebate referred to in clause (vib) of sub-section (2) of section 10 of the Indian Income-Tax Act, 1922, had not been allowed and the income-tax and supertax actually paid by the licensee after making an allowance for such Development Rebate.

- (2) The Development Reserve shall be available only for investment in the business of electricity supply of the undertaking.
- (3) The Development Reserve shall be deemed to be a part of the assets of the undertaking and, where the undertaking is transferred, any balance remaining to the reserve, together with any assets financed from such reserve, shall stand transferred to the transferee along with other assets of the undertaking, and no consideration shall be payable in respect thereof."

The first difficulty which arises is that the clause refers to the difference between the tax which would have been payable by the licensee if development rebate were not allowed and "the income-tax and supertax actually paid". It frequently happens that assessments are in arrears for years at a time and, if the strict literal interpretation of the word 'paid' is taken, the paragraph would mean that the transfer to development reserve should take place only when assessments are completed and tax paid. This interpretation is at

variance with the proposed alteration, which permits a deduction in arriving at clear profits of the amounts set apart for the development reserve and which is obviously intended to be an annual amount calculated by the licensee and his auditors before the closing of his accounts. This wording would also result in licensees, whose assessments were in arrears at the time the new paragraph first affected them, receiving a greater allowance than those whose assessments were up-to-date before the new paragraph first applied to them. It is imperative, therefore, that the word "paid" be altered to read "payable".

Another difficulty which will arise is in a case—and such cases are very frequent in expanding companies—where the licensee has a substantial negative assessable income in view of the high income-tax depreciation allowances for the purposes of the Electricity (Supply) Act. In such cases, there would be no difference between the tax which would have been paid and the tax actually payable under the proposed clause, as, in both the cases, the amount would be nil.

SOME MORE ANOMALIES

Again, there are still other possibilities which are indicated in the attached schedule. These relate to a company having a development programme spread over four years. The figures have been purposely kept small, but it will be observed that, whereas the total development rebate amounts to Rs. 17, the amount on which the development rebate may be calculated can lie between the full amount and Re. 1 only, depending upon the interpretation given to the provisions of the new paragraph. Another difficulty which would arise is whether or not arrears of development rebate can be taken into account. That is to say, in a case where there is either no assessable income or the assessable income is less than the amount of the development rebate, Section 10 of the Income-Tax Act permits the unabsorbed balance to be carried forward for set-off against the assessable income of future years. It is impossible to say, in respect of any lump sum of unabsorbed depreciation so carried forward, which portion absorbed depreciation should be set off first against future assessable income, or whether the development rebate should be set off first.

A further interpretation could be that development rebate and other depreciation may be deducted proportionately from assessable income arising in future years.

Yet another point, which appears to have been overlooked, is the effect of Section 23A of the Income-Tax Act. An example of this is as follows:

Assessable income before deduction* of development rebate	Rs. 12
Less: Development Rebate	2
	10
Less: Tax (say)	4
Minimum dividend payable under Se. 23 of I.T. Act	6
60 per cent of Rs. 6	3.6

If the effect of the development rebate is ignored, the minimum distribution under Section 23A is 60 per cent of Rs. 12 (less tax of, say, Rs. 5)=Rs. 4.2 and an additional supertax @ As. 4 in a rupee would be payable on the balance of Re. 0.6. Is this additional supertax, which would otherwise have been payable, to be

regarded as tax saved by the operation of the provisions of the Income-Tax Act dealing with development rebate?

THE DEVELOPMENT RESERVE—ITS IMPLICATIONS

One further aspect of the problem is that, in the case of some undertakings which have expanded in recent years with high cost plant, the appropriation to the Development Reserve, ranking (as it does, as worded) for priority over Reasonable Return (i.e. dividend requirements), might create chaos, either because of possible public outcry or a difficult economic situation preventing appropriate rate revisions.

A reduction in dividend will, as a natural corollary, prevent the offering of equity finance by the investor, and this, in turn, will act as a brake on development. To the smaller undertakings already in difficulties to attract capital, a prior charge like appropriation to the Development Reserve will necessitate raising the rates still further. It is for consideration, whether to meet such a situation, a proviso should not be added to the new Paragraph VA (1) making it clear that it will not be obligatory to the licensee to appropriate anything to the Development Reserve until he reaches the reasonable return.

Operation of Paragraph VA of the Sixth Schedule

	Accounting Years.				
	1	2	3	4	5
Assessable income before any depreciation	10	10	11	12	14
Less: Depreciation for the year excluding Development Rebate	3	5	7	8	7
	7	5	4	4	7
Less: Development Rebate for the year	1	6	8	2	..
Assessable income before adjusting arrears of Development Rebate	+6	-1	-4	+2	+7
Less: Arrears of depreciation b/f.	..	..	..	-2	-3
Total on which the Development Reserve is calculated	+6	Nil	Nil	Nil	+4

I. If it is assumed that no Development Reserve can be provided when there is no assessable income, the Reserve should be calculated on .. 1 Nil Nil Nil Nil= 1

II. If it is assumed that Development Reserve is provided on the amount by which the assessable income is reduced, the Reserve should be calculated on .. 1 5 4 2 Nil=12

III. If it is assumed that Development Reserve is provided whether there is assessable income or not and to the extent that the assessable income has been reduced by Development Rebate for the current year and arrears from past years, the Reserve should be calculated on 1 5 4 4 3=17

If the suggested amendment is accepted Development Rebate would be calculated on .. 1 6 8 2 Nil=17

STRAIGHTENING OUT THE COMPLICATIONS

The foregoing summary is by no means exhaustive, but it is sufficient to show that the paragraph worded, as it is, is capable of so many interpretations and complications that licensees find it impossible to operate it in practice.

It is, therefore, suggested that sub-clause (1) of paragraph VA be reworded as follows so as to remove all the difficulties:

"There shall be created a reserve, to be called the Development Reserve, to which shall be appropriated annually an amount calculated at the rates of income-tax and supertax applicable for the assessment year for which the accounting year of the licensee is the previous year on the amount of the development rebate to which the Licensee is entitled for that year under the provisions of Section 10(2) (vi) (b) of the Indian Income-Tax Act 1922."

"Provided that, if, in any accounting year, the Clear Profit falls below the Reasonable Return, the amount to be appropriated to the Development Reserve shall be reduced by that amount."

In this connection, the conception that the Development Rebate should not be the property of the licensee is difficult to appreciate. The Union Finance Minister intended that the Development Rebate should be given as a gift to assist all expanding industries and there is no valid reason why the electric supply industry should be treated differently.

DEPRECIATION ALLOWANCES AND WRITTEN-DOWN VALUES

Although the withdrawal of initial depreciation allowance by the Finance Act, 1956 and the introduction of Development Rebate in the Finance Act, 1955 have mitigated the problem of deferred taxation faced by the electric supply industry, the issue will continue to agitate the industry so long as Income-Tax depreciation is calculated by the reducing balance method and the Electricity (Supply) Act depreciation is not. With the Electricity Supply (Amendment) Bill seeking to make no provision for meeting deferred tax liability, a way out of the problem would be for the Central Board of Revenue to agree that the licensee need not claim the full depreciation allowance under the Income-Tax Act and profits for Income-Tax purposes be computed without some part of such allowances.

The considerations which bear on the problem are as follows:

(1) Under the provisions of the Sixth Schedule to the Electricity (Supply) Act, 1948, an Electric Licensee is required to adjust his rates for the supply of Electricity by periodical revisions, so that, as far as possible, his 'Clear Profit' shall not exceed the "Reasonable Return" as defined in the Act. "Clear Profit" means the profit actually earned in any year of account by an electric licensee and calculated after taking into account the various heads of Income, Expenditure, and Appropriations, as laid down in Paragraph XVII (2) of the Sixth Schedule. "Reasonable Return" means the measure of profit which an electric licensee is entitled to earn normally as "Clear Profit" in any year of account, and at present it is

5 per cent of the Capital Base as defined in Paragraph XVII (1) of the Sixth Schedule.

(2) One of the outgoings in arriving at the Clear Profit is depreciation, which must be written off from the books of the licensee on the basis of the prescribed lives contained in the Seventh Schedule to the Act, either under the straightline or the compound interest method. (Most licensees have opted for the straightline method).

(3) The accelerated nature of the Depreciation Allowances under the Income-Tax Act, as compared to the Depreciation which has mandatorily to be written off in the books of a licensee, gives rise to the problem of deferred taxation through the computation, during periods of large capital additions, of assessable incomes at figures much lower than the book profits, or as negative balances of unabsorbed depreciation to be carried forward.

(4) By virtue of the provisions of the Electricity (Supply) Act, tax savings resulting from greater (accelerated) amounts of Income-Tax Depreciation Allowances, which are not tax savings for good but merely deferments of tax liability, are currently passed on in full to the consumers of electricity, and when the taxation once deferred materialises at a later date, additional revenues would have to be found by rate revisions under conditions which may well not be conducive to such action.

AVOIDING COST FLUCTUATIONS

In the context of the position as exemplified in the points enumerated above, it is considered that the only way in which the costs of electricity supply can be safeguarded from violent fluctuations would be some assuagement of tax deferment by licensees by their use of an 'option' not to avail of some element or elements of Income-Tax Depreciation Allowances. In other words, they should be given the opportunity to pay off tax earlier and thus in a more even and regular manner, that is, 'as and when they feel they are in a position to afford to do so.'

It is, therefore, for the Central Board of Revenue to consider whether assessee who are electric licensees should not be permitted to employ an option to claim in any assessment only "Normal" Depreciation Allowances which are allowed in respect of new assets for the first five years after their requisition.

(Note: The Initial Depreciation Allowances having been eliminated under the Finance Act, 1956, this Depreciation Allowance will not enter future Income-Tax Returns. Development Rebate is not strictly a depreciation allowance, nor does it give rise to tax deferment problems. Hence it is not considered for any special treatment in this context).

At the same time, the Central Board of Revenue might issue instructions to Income-Tax Departments not to apply, in the case of assessee who are electric licensees, Income-Tax Depreciation Allowances not claimed by them under their assessments, in any subsequent computations of income-tax written-down values of assets for any purpose under the Income-Tax Act or the Finance Acts.

Sixth Schedule is designed to secure that a licensee shall earn enough to provide him with a reasonable return so that he can raise funds in the market necessary for the proper continuity of his public duties. It is proposed to confine the present discussion to an assess-

ment as to how far the yardstick which these financial provisions constitute has served to achieve the purpose of the Act.

STATUTORY AUDIT

With the application of the provisions of the Sixth Schedule and the Table appended to the Seventh Schedule of the Act to Licensees' Undertakings from the commencement of the succeeding year of account following September 10, 1948, appropriate forms were prescribed by the various State Governments with a view to the licensees rendering accounts to their respective State Governments.

In a number of States, the State Governments accept the accounts as audited by the auditors of undertakings appointed under the Indian Companies Act, while, in some others, either the Accountant-General or the audit unit created by the State Government conduct further test audits. Special fees, be it noted, are charged for such audit. It is for consideration whether uniformity could not be achieved in this respect in all States. With many States already accepting the accounts as audited by auditors of undertakings appointed under the Indian Companies Act, there is no reason why others should not follow suit. Such audited accounts are fully acceptable to the general public in other spheres, and there is no reason, therefore, why these should not be acceptable to State Governments also. Such a course will avoid duplication of work which the additional government audit involves and also superfluous expenditure.

The experience of licensees with regard to government audit cannot be said to be satisfactory. When the Sixth Schedule working of an undertaking is audited by government audit and the audit reports indicate differences of opinion over interpretation of the provisions of the Sixth Schedule, the usual procedure is for the State Government to issue to the licensee concerned a blanket directive asking him to take action on the extracts of audit reports sent to him. This would seem to imply that any view of the government audit is necessarily conclusive.

With a number of licensees, the position since the coming into force of the Sixth Schedule to the Electricity (Supply) Act has been that a number of audit objections has been raised which have been disputed by the licensees. In many cases, the correspondence remains suspended, while the onus rests with government audit to withdraw their objections or comment further.

A way out of the impasse would obviously be for the State Government or the State Electricity Board concerned to take the Electric Supply Industry in the State into confidence so as to explore possibilities of understanding and, if this understanding proves difficult in respect of fundamental issues, then resort to the machinery provided in Clause XVI of the Sixth Schedule to the Electricity (Supply) Act, namely arbitration by the Central Electricity Authority.

POINTS AT ISSUE

During the brief period of seven years that the Sixth Schedule to the Electricity (Supply) Act has been in operation, disputes have arisen over a number of points bearing on interpretation of the provisions of the Schedule. These, in the main, relate to:

- Admissibility of interest on loan capital as an operating expenditure.
- Limitation of dividends to 3 per cent until all arrears of depreciation (as distinct from the depreciation for the year in question and in-

stalments in respect of arrears) have been written off.

- Inclusion in Capital Base of costs of assets no longer in use.
- Inclusion in Capital Base of intangible assets, such as expenditure incurred on issue of new capital.
- Inclusion in Capital Base of monies expended towards work-in-progress.
- Disallowance of donations as expenditure for purposes of rate-making.
- Appropriation to Contingencies Reserve, (one Government holds the view that it should be from existing Reserves, while the licensees are of the opinion that it could be either from the revenues of the year or from existing Reserves).

Besides these, there have been a number of other minor points too which are under dispute. At the time of writing, the Central Electricity Authority has ruled in favour of the licensees on issues (a), (b) and (c) and against them on (f). As the remainder are sub-judice, inferences may not be drawn.

RATING COMMITTEES

A peep into the working of some of the Rating Committees under the Act will be appropriate here. Unlike Regulation Commissions in the US which are guided by case law, a Rating Committee under the Indian Electricity (Supply) Act, 1948, constituted to scrutinise a given licensee's charges to consumers, is obliged to apply the provisions of the Sixth Schedule and to make recommendations which "are not likely to prevent the licensee from earning clear profit—to afford him a reasonable return during the next three years of account...." This process postulates that no disputes have arisen as to interpretation of the provisions of the Sixth Schedule or that, where disputes have arisen, they have been resolved by arbitration by the Central Electricity Authority under Paragraph XVI of the Sixth Schedule.

The constitution of a Rating Committee is not a matter which can be entered into lightly by the Authorities. A mere demand from a section of the consumers who are probably misinformed, and who are unlikely to be fully versed in the laws governing the supply of electricity, is not, according to the Electricity (Supply) Act, sufficient ground for setting up a Rating Committee. Nor could differences of opinion which exist between statutory audit and licensees over interpretation of the provisions of the Sixth Schedule (and which, by law, are to be settled by the Central Electricity Authority) by themselves constitute sufficient grounds for Rating Committees being constituted.

RATING COMMITTEES IN OPERATION

So far, 24 Rating Committees have functioned under the Act, the breakdown being—Bombay 16, West Bengal 3, Rajasthan 3, Madhya Bharat 1 and Assam 1. Some of the Rating Committees have been constituted at the request of the licensees concerned, some as a result of agreement between the State Government and the licensees, and, in one case, as a penalty "for breach of the provisions of the Sixth Schedule". In cases where Rating Committees have been constituted at the request of the licensee, the cause mainly has been the need for the licensee, because of consumer opposition, to be buttressed by a government order giving effect to the recommendations of a Rating Committee. An interesting aspect in these cases has been that the recommendations of the Rating Committees actually resulted in rates turning out to be very much higher.

Code of Financial Control

WITH the passing of the Electricity (Supply) Act in September 1948, there was placed on the Statute Book a piece of pioneer legislation which attempted to draw up a standard financial code for the electric supply industry. The financial control imposed by the

than what the licensees would have charged of their own volition.

In the case of Rating Committees appointed in the Bombay State, the views expressed and the principles adopted for rate revision have unfortunately not been in line with the tenor of the provisions of the Sixth Schedule. The Rating Committees, in many cases, have been "more loyal than the King himself!" In applying the Sixth Schedule, the Committees (on majority decisions), while assuming full powers to interpret the provisions of the Sixth Schedule (notwithstanding that many important points had not then been resolved by arbitration as provided in the Schedule), were, to a large extent, influenced by the views of the State Government and even based their decisions accordingly.

Interest on loan capital was universally disallowed as an item of operating expenditure and, in many a case, the quantum of Capital Base was arbitrarily fixed. One committee enquiring into the rates of a leading undertaking in Bombay thought that provision for Deferred Taxation was 'ultra vires' of the Act and disallowed, for purposes of rate calculations, the provisions towards liability of the licensee for meeting additional income-tax! It also based its recommendations on many other issues on doubtful premises. The result was that, while conceding that the management of the undertaking was efficient, the Committee recommended, rather light-heartedly, a token reduction in earnings, whereas the circumstances justified the need for a considerable increase in rates as contemplated by the licensee!

In the case of two Rating Committees in West Bengal, the main point at issue was the creation of Contingencies Reserve from Revenues of the undertaking which the licensee concerned, in common with the rest of the undertakings, had been doing. Taking the view that "the powers of the Rating Committee, in its terms of reference under Section 57 (2)(a) of the Act, to make recommendations are wide enough to include any recommendation which appears to the

Committee as fairly reasonable in a particular case", the Committee did not permit the appropriations from revenues to the Statutory Contingencies Reserve, although no finality had been reached about the interpretation of the relevant provisions in the Sixth Schedule by the process of arbitration by the Central Electricity Authority.

This brief analysis indicates how unsatisfactory the experiment of Rating Committees has been so far. There have, however, been no attempts at judicial process to set at nought the resulting orders of State Governments, either because of special political reasons, or because, in the ultimate analysis, the licensee could not have economically enforced the rates sanctioned by the State Government.

A COAT TO FIT ALL BACKS

Although it is still too early to draw any definite conclusion as to the effect, beneficial or otherwise, of the financial principles adumbrated in the Sixth Schedule, it may be stated that the attempt to "cut a coat to suit all backs" has created its own problems. Whereas to the small-sized undertakings, the problem is one of meeting operating expense in the immediate present without further borrowings in the hope of some reward in the future for the 'entrepreneur's' efforts, to the established and expanding undertakings, the difficulty is one of raising development capital in the context of the financial control made more difficult by administrative difficulties referred to above. Problems arising out of government audit have come to be resolved with some of the decisions of the Central Electricity Authority already announced, and further process of arbitration should remove other lingering uncertainties. Nevertheless, it must be stated that the electricity industry, which is set on the road to rapid expansion, must be freed from avoidable pin-pricks, so that it may concentrate on its main task of furthering electric development within the sphere allotted to it and within the financial code laid down by Parliament.

Future of Free Enterprise

IN the field of industrial activity, it is sometimes argued, public utilities occupy a special place because of one operator being allotted a given area, where, in the ordinary course, none else is permitted to enjoy similar facilities. In a way, this is true, but a public utility like an electric supply company has still to face competition from other forms of luminant and motive power; then, again, it has to compete with other industries offering scope for higher return for finance in the money market. Moreover, it is because of the so-called special position of utilities that financial and other regulations have come to be evolved to govern their operation.

With all these regulations making for the strictest control, it is for consideration whether more could be achieved by formal State ownership of the industry, at least of those undertakings in the private sector which have records of service and which could continue to render great service to the community.

INDUSTRIAL POLICY NO BAR FOR EXPANSION

The terms of the Industrial Policy Resolution of April 30, 1956, notwithstanding their bringing the Electric Supply Industry under Schedule 'A', do offer sufficient scope for existing undertakings to continue to function and expand where public interest so requires, at least until the statutory options to acquire arise. However, if the industry is to fulfil the targets set before it, it has to be afforded sufficient incentive.

The targets assigned to electricity are not unimpressive by any standards. With a programme of an increase of about 300,000 kW in plant capacity, the industry will be called upon to expand its outlay including distribution by about Rs. 800 lakhs per year during the second Five-Year Plan period, and creating favourable conditions to raise this finance should be part of Government's electricity policy.

Incidentally, how "private" is the private sector of the Electric Supply Industry? The bulk of the shareholders are people of small means, and there are institutional investors such as the Insurance Corporation, which is an important holder of shares. The modern electric supply company is, therefore, anything but a closed institution and has, besides the attributes of a public undertaking, the added advantage of efficiency incidental to a commercial body.

ACQUISITION OUTMODED

In view of this, it is obvious that State acquisition of well run utilities is outmoded. National interests could, in fact, be served better by continuing in service the talents harnessed to some of the outstanding private enterprises. In the consideration of this question the performance of the public sector is most relevant. What has been the record of some of the State-owned undertakings since acquisition from the licensees concerned? Again, how well do undertakings conceived and operated by the State compare in performance

with the best units in the private sector? A proper appraisal could only be attempted by an inquiry of the nature conducted by the Herbert Committee, which recently went into the working of the nationalised Electric Supply Industry in the United Kingdom. A mere comparison by matching units of near sizes in both the sectors may be attempted, but it is unlikely to be of much use, in that the conditions under which undertakings in both the sectors function are not strictly comparable.

Some of the Southern States have taken an attitude bordering on complacency about the working of departmentally-run electricity systems. Maybe, they are efficient, but are they efficient enough? Here, again, comparisons are difficult, as a sizable portion of the power systems was brought into commission when prices were dead low, and there are also other factors like comparable emoluments to staff, freedom from taxation, consumer satisfaction, etc.

IN MADRAS

Madras is a classic example where the zeal for State ownership has outrun the economic need for the change-over, and this has been in inverse proportion to the capacity of the State Electricity Department to avoid disastrous power cuts year after year. Water shortage in the hydro reservoirs (for which the Department is, of course, not directly responsible) could not be met by other ways, but the general public, especially industries depending on the Department for power, justifiably get angry at repeated power cuts and have begun to wonder whether remedial measures are even now being considered. The State has an impressive programme of further hydro development, but

that, by itself, will not solve the recurring problem of power shortage during the dry months. What the State needs, therefore, is firming up by thermal power in a big way. The installation of thermal plant (initial 100,000 kW, ultimate 200,000 kW) visualised in Neyveli will depend upon the successful mining of lignite in the area. If the lignite project proves unworkable, the reality of a thermal station burning coal will have to be faced.

In the face of this, the policy of the State Government merrily continuing the process of taking over undertakings in the private sector rendering useful service cannot bear examination. The Annual Report of the Madras Government Electricity Department for the year ended March 31, 1955, claims a net revenue resulting in an "yield of 6.4 per cent". Where then is the sense in ousting licensees who are permitted by law a modicum of 5 per cent if the process is to involve in a mere change of ownership with no corresponding benefit to the consumer, and when the resources of the State could be more usefully harnessed to, say, the building up of a thermal plant which is very urgently needed?

The continuous power cuts in the State could hardly be helpful towards the State's industrialisation, and if industries gravitate to other parts of the country, no one could be blamed more than the framers of the policy for indiscriminate acquisition. When the country is set on rapid industrialisation, projection of dogmas at the cost of practical values would have disastrous effects, and one can only hope that the preoccupation in the South is an isolated instance.

Conclusion

IN the preceding pages, we traced the beginnings and the growth of the electric supply industry in this country, some of the problems it has had to face in the past, and those the industry is presently confronted with. From its humble beginnings in the 1880s, electric power service in the country has extended in a steadily increasing measure. At the end of 1955, there were as many as 735 public utilities in the country, with electricity production aggregating 8,705 million kwhs, of which 48 per cent was generated by the public sector and 52 per cent by the private sector. The per capita consumption of 19 kwhs—a mere 1/73rd of that in the United States—indicates the leeway the country has to make up in power facilities and underlines the degree of economic advance which the country has yet to achieve. Electric power has rightly been described as "the initial instrument of technological development," without which "the modern outlook cannot grow".

This is the background against which, both in the first and in the second Five-Year Plans, power development in the public sector and the private sector alike has received marked impetus. But it cannot be said that the administrative policies of the Government match the vision of the planners. The second Five-Year Plan draws pointed attention to the peculiar characteristic of electric power development, which is that a measure of imbalance—seemingly over-expansion—is necessary in sectors like development of power where investment has to be "lumpy". With such a capital-intensive industry, low returns tend to dry up resources for development and, should the undertakings be called upon to face this eventuality, a serious blow would be struck at the root of development itself.

Much publicity has been accorded to the ambitious new schemes of both the Central and the State Governments in the sphere of electric development. In all these, one cannot escape the feeling that the role which

the private sector has played, and still continues to play, in making power available to the consumers, has not been sufficiently appreciated. True, with the various multi-purpose projects coming to fruition, the public sector bids fair to become a dominant partner in generation of power, but, even so, the bulk of the power would still have to be distributed through the medium of distributing licensees.

This would postulate the functioning of the private sector in the field of power for a long time to come yet. Recognition of this factor has doubtless prompted, and rightly, the framers of the April, 1956, Industrial Policy Resolution not to disturb the existing undertakings which have been rendering efficient service to their respective consumers. In this context, the isolated instance of the Madras State seeking to acquire undertakings in that State becomes rather unintelligible, especially as acquisition results in no new assets—a test for nationalisation propounded by none other than the Prime Minister himself.

More than in any other business, in electricity service consumer satisfaction is of paramount importance, and we mean no disparagement to the public sector when we say that the private sector outshines in this branch the more rigid bureaucratic system which is, by and large, prevalent in nearly all the State electricity systems. It is perhaps this realisation which has led the framers of the Electricity (Supply) Act to plumb for Electricity Boards to operate the State Grid Systems. It is still too early to pronounce a considered verdict on the working of these Boards. While judgment on this question has to be suspended for some time to come, the urgent need of the hour is that the Act must be implemented throughout the country, of course, with the very necessary amendments which are required to rehabilitate the electric supply industry.

INDIAN POWER STATISTICS

CONSOLIDATED BALANCE SHEET—1953

FIXED LIABILITIES	Gov- ern- ment	Muni- cipal- ities	Com- panies	Total	FIXED ASSETS	Gov- ern- ment	Muni- cipal- ities	Com- panies	Total
Fixed Capital raised and ap- propriated as per the Capital Account	9742	1,917	5,730	17,389	Capital Expenditure on works as per the Capital Accounts	9,151	2,029	9,869	21,049
Provision for Depreciation	1387	426	2,920	4,733					
Capital Redemption Reserve (Sinking Fund)	..	254	62	316					
RESERVES AND SURPLUS					CURRENT ASSETS				
Contingencies Reserve	33	4	102	139	Works in Progress at Cost	1,663	7	484	2,154
Tariff & Dividends Deve- lopment Control Reserve	4	..	28	32	Closing stock of fuel at cost	108	..	30	138
Consumers Rebate Reserves	..	2	30	32	Closing Stock of Stores	..	..	..	..
General & Other Reserves	264	266	1,098	1,628	Materials at Cost	930	201	539	1,670
Net Revenue & Appropri- ation Account	880	21	222	1,123	Investment on Account of Contingencies Reserve Fund at Cost	..	1	76	77
CURRENT LIABILITIES					Other Investments at Cost	676	251	166	1,093
Consumers Security Deposits	296	56	259	611	Tax & Other Deposits	85	7	136	228
General Creditors and Ac- crued Liabilities	663	183	936	1,782	Cash, Bank & Treasury Balances	164	194	219	577
Other Finances Including Temporary Loans, Advances and Bank Overdrafts	155	33	595	783	Sundry Debtors	346	441	392	1,179
					Accounts Receivable	287	28	69	384
					Deferred Payments	14	3	2	19
TOTAL	13,424	3,162	11,982	28,568	TOTAL	13,424	3,162	11,982	28,568

Installed Capacity and Generation by Types of Plant and by Ownership

Type of Power Plant and Ownership		Number of under- takings owning Generating Stations	Installed Capacity of Generators		Generation	
			As at 31-12-54	Percentage of Grand Total	kWh Generated	Percentage of Grand Total
STEAM—			kW	%	Millions	%
(i) State-owned:						
(a) Government	..	34	418,341	16.8	1,122,591	14.93
(b) Municipalities	..	1	5,750	0.2	7,137	0.09
(c) Power Corporations	..	1	150,000	6.0	165,148	2.20
(ii) Companies	..	32	916,952	36.8	2,763,047	36.73
Total for Steam Plant	..	68	1,491,043	59.8	4,057,923	53.95
OIL—						
(i) State-owned:						
(a) Government	..	150	102,065	4.1	77,971	1.04
(b) Municipalities	..	11	14,627	0.6	9,801	0.13
(ii) Companies	..	180	92,915	3.7	139,562	1.85
Total for Oil Plant	..	341	209,607	8.4	227,334	3.02
HYDRO—						
(i) State-owned						
(a) Government	..	19	507,130	20.3	1,975,758	26.27
(b) Municipalities	..	4	7,576	0.3	27,182	0.36
(c) Power Corporations	..	—	4,000	0.2	4,379	0.06
(ii) Companies	..	2	274,640	11.0	1,229,201	16.34
Total for Hydro Plant	..	25	793,346	31.8	3,236,520	43.08
GRAND TOTAL	..	434	2,493,996	100.0	7,521,777	100.00

FINANCIAL DATA OF THE PUBLIC ELECTRICITY SUPPLY INDUSTRY, 1949-53

	Unit	1949	1950	1951	1952	1953
A. Installed Capacity	kW	1,537,136	1,712,515	1,835,426	2,061,755	2,305,190
Average Capital Outlay per kW Installed:						
(a) Generation	Rs.	441	449	430	460	436
(b) Transmission	"	389	396	471	461	460
TOTAL		830	845	901	921	896
B. Number of Consumers:	No.	1,260,685	1,500,737	1,677,805	1,843,473	1,995,548
Average Capital Outlay per Consumer:						
(a) Generation	Rs.	538	513	471	515	503
(b) Transmission, Distribution etc.	"	474	451	514	515	530
		1,012	964	985	1,030	1,033
C. Maximum Demand	kW	1,008,000	1,098,314	1,205,194	1,310,651	1,416,350
Average Capital Outlay on Transmission, Distribution etc. per kW of Maximum demand	Rs.	593	628	716	725	748
D. Total Capital Outlay:						
(a) On Capital Works	„ Crores	128	145	165	190	206
(b) Non-Electrical Works like Tramways and Omnibus	..	3	3	4	4	4
		131	148	169	194	210

SEGREGATION:

	Outlay	% of	Outlay	% of	Outlay	% of	Outlay	% of	Outlay	% of
	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total
Public Sector	60.41	46	69.57	47	82.23	49	101.13	52	111.80	53
Private Sector	70.56	54	78.13	53	86.82	51	92.37	48	98.69	47
TOTAL	130.97	100	147.70	100	169.05	100	193.50	100	210.49	100
Additions during the year	12.44	..	16.73	..	21.35	..	24.45	..	16.99	..

SEGREGATION:

	Outlay	% of	Outlay	% of	Outlay	% of	Outlay	% of	Outlay	% of
	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total
Public Sector	4.30	35	9.16	55	12.66	59	18.90	77	10.67	63
Private Sector	8.14	65	7.57	45	8.69	41	5.55	23	6.32	37
TOTAL	12.44	100	16.73	100	21.35	100	24.45	100	16.99	100

Source: General Review. Public Electricity Supply Statistics, 1954.

AVERAGE PRICE OF ELECTRICITY

Ser. Category of Sales	kWh sold millions 1954	Revenue realised Rs. lakhs.	Revenue realised in annas per kWh sold
1. Residential and commercial premises for lighting, heating and small power, etc.	863	1,392	2.581
2. Industries, agriculture and traction	4,044	1,899	0.751
3. All purposes i.e. (1) and (2) above	4,907	3,291	1.073

ELECTRICITY PRODUCTION AND CONSUMPTION IN SELECTED INDUSTRIES

Name of Country and Industry	No. of Factories Covered	Capacity of Industry Owned Plant	Energy Generated in Industry Owned Plant	Energy Purchased from Public Utility Power Station	Energy Sold to Outside Agencies	Energy Used in the Industry
1954						
China: Taiwan						
Ceramics	..					36.47
Chemicals	..					410.26
Food processing	..					101.05
Miscellaneous	..					1.93
Mining	..					71.73
Mechanical	..					29.30
Metals	..					244.28
Printing	..					2.34
Sawmills	..					11.00
Textiles	..					70.57
TOTAL	..					978.98
India						
Aluminium (Primary)	.. 4	16.83	60.38	73.71	0.1	134.08
Aluminium (Secondary)	.. 5			4.61		4.61
Cement (Primary)	.. 25	80.07	353.83	123.22	0.10	460.32
Cement (Secondary)	.. 24	2.77	3.74	15.38	25.66	19.02
Chemicals	.. 32	19.18	51.45	29.43	16.73	80.72
Collieries	.. 155	59.22	150.44	189.25	25.66	313.98
Copper (Primary)	.. 1	9.87	37.87			37.87
Copper (Secondary)	.. 1			0.80		0.80
Cotton textiles	.. 318	91.95	277.45	1146.99	12.18	1412.26
Fertilizers	.. 3	80.0	252.82	44.37	5.93	291.25
Gold	.. 1	3.9	.43	103.82		103.86
Iron & Steel (Primary)	.. 4	171.5	532.9	135.30	52.87	614.82
Iron & Steel (Secondary)	.. 15			80.27	0.44	79.82
Jute	.. 75	40.54	57.59	297.07	1.29	353.36
Paper	.. 19	70.46	220.55	53.34	13.37	260.52
Silk	.. 19	0.02	0.02	4.67	0.01	4.68
Soap	.. 12	0.36	0.63	14.01	0.49	14.14
Sugar	.. 87	28.38	48.12	7.62	1.15	54.58
Tanneries	.. 7	0.28	0.02	0.59		0.61
Wool	.. 14	3.95	3.85	26.98	0.05	30.80
TOTAL	.. 826	663.53	1983.91	2145.31	170.45	3958.76
Japan						
Ceramics	.. ..	257.01	1177	457		1634
Chemicals	.. ..	761.97	3161	8741		11902
Food & other industry	.. ..	67.11	19	2473		2492
Machinery & Tools	.. ..	14.67	2	1306		1308
Metals	.. ..	602.30	2228	4538		6766
Mining	.. ..	253.74	572	2782		2354
Railways	.. ..	266.48	1085	2119		3204
Textiles	.. ..	23.81	14	1565		1579
TOTAL	.. ..	2247.08	8258	23981		32239
Federation of Malaya						
Coal mining	.. 1	1.5	4.9			4.9
Gold mining	.. 1	6.2	6.1			6.1
Iron mining	.. 1	2.12	4.5			4.35
Tin mining	.. n.a.	29.95	121.99		0.05	121.69
TOTAL	.. 3	39.77	137.49		0.45	137.04
Philippines						
Cement	.. 4	14.21	55.2			55.2
Coconut	.. 9	6.20	19.2			19.2
Mining	.. 12	23.62	124.4			124.4
Miscellaneous	.. 4	5.29	17.4	1.2		18.6
Sugar	.. 22	49.29	89.2			89.2
TOTAL	.. 51	97.81	305.4	1.2		306.6
Thailand						
Mining	.. 65	7.6	n.a.			n.a.
Viet-Nam						
Cement	.. 1	13.0	n.a.			n.a.
Collieries	.. 1	7.1	n.a.			n.a.
Textiles	.. 1	7.5	n.a.			n.a.
TOTAL	.. 3	29.6				n.a.

For Malaya, Philippines, Thailand and Viet-Nam figures relate to fiscal year 1954-55.